Gemplus Limited Staff Pension Scheme – year to 31 December 2020

Implementation Statement

Overview

The Trustees of the Gemplus Limited Staff Pension Scheme have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Scheme has followed the policy on voting, stewardship and engagement as set out in the Scheme's Statement of Investment Principles (SIP), dated September 2020. This statement covers the period 1 January 2020 to 31 December 2020.

The Scheme's assets are held in pooled investment funds and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds (the 'fund managers').

The fund managers of the pooled investment funds are BlackRock Investment Management (BlackRock), Legal & General Investment Management (LGIM), M&G Investments (M&G) and Towers Watson Investment Management Limited (Towers Watson).

As Trustees of the Scheme's assets, we are responsible for the selection and retention of the funds. Analysing the voting and engagement activities, which we include details on below, is a useful exercise to help us ensure they remain appropriate and are consistent with the managers' stated policies in this regard. We will engage with the fund managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

During the year to 31 December 2020, the Trustees updated the SIP to ensure they met new regulations that came into effect from 1 October 2020.

Voting and engagement

Details on voting and engagement activities provided by BlackRock, LGIM, M&G and Towers Watson are set out below. In order to produce this statement we have asked the fund managers questions on their policies, actions and examples relating to their voting and engagement activities. We have then reviewed these and summarised their responses for the purposes of this statement.

BlackRock and Towers Watson have provided information relating to the Dynamic Diversified Growth Fund and the Partners Fund respectively, as these funds holds equities for which they have voting rights.

The M&G Alpha Opportunities Fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, M&G does undertake engagement activities in respect of its bond holdings and we have included examples below.

The LGIM Gilt and Leveraged Gilt Funds do not hold equities or corporate bonds and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. The primary and underlying counterparty for these assets is the UK government; however the derivatives used will also have exposure to clearing houses and investment banks. Engagement with these types of organisation can be more difficult than engaging with companies issuing shares and debt, although it is an area that continues to evolve.

1. BlackRock Dynamic Diversified Growth Fund

The following are extracts from BlackRock in response to our questions on voting and engagement and provides an explanation as to how they co-ordinate their voting and engagement activities with companies.

We have determined that it is generally in the best long-term interest of our clients to promote sound corporate governance through voting as an informed, engaged shareholder. This is the responsibility of the Investment Stewardship Team.

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.

We hold ourselves to a very high standard in our investment stewardship activities, including proxy voting. To meet this standard, BIS is comprised of BlackRock employees who do not have other responsibilities other than their roles in BIS. BIS is considered an investment function.

Investment stewardship is how we use our voice as an investor to promote sound corporate governance and business practices to help maximize long-term shareholder value for our clients, the vast majority of whom are investing for long-term goals such as retirement. We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our website.

Voting data

BlackRock were eligible to vote on 12,609 resolutions. They voted on 96.8% of the resolutions. Votes for: 92%, Against 7%, Abstained: <1%. In 5% of occasions, BlackRock voted against the recommendation provided by a proxy advisor (ISS).

Most significant votes

BlackRock Investment Stewardship periodically publish detailed explanations of specific key votes in "vote bulletins". The following extract from BlackRock provides further information:

These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. 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 purpose of the Shareholder Rights Directive II.

We have selected two vote bulletin examples as evidence of significant votes:

AMAZON

Date: 27/05/2020

Resolution: Multiple

Vote: Against all 12 shareholder proposals

BIS regularly reviews Amazon's governance structure and risk profile. In prior engagements with the company's board and management, we have discussed a range of material issues driving long-term shareholder value, including corporate governance practices, sustainability efforts, enterprise risk management, and human capital management.

During our most recent engagement, in addition to discussing human capital management, we discussed the topics raised in the shareholder proposals to be voted on at the annual meeting and the company's oversight and management of those issues that are relevant to their business model. This included the company's plans to improve its disclosure on food waste and food diversion management and its efforts to monitor the use of certain technologies and enforce compliance with its product policies. Amazon has demonstrated a commitment to adopting best practices in corporate governance (e.g. //90% board independence, 50% board gender diversity, and balanced board tenure). As a result of past engagements, the company has agreed to enhance its governance policies, as noted by management's proposal to lower the threshold for shareholders to request a special meeting.

The company received the following 12 shareholder proposals:

Create a report on effects of food waste
Create a report on customer use of certain technologies
Report on potential customer misuse of certain technologies
Report on efforts to restrict certain products
Request for a mandatory independent board chair policy
Create an alternative report on gender/racial pay
Report on certain community impacts

Report on viewpoint discrimination
Create a report on promotion data
Request for a reduction in threshold for calling special shareholder meetings
Request for a specific supply chain report format
Request for additional reporting on lobbying

After thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, BlackRock determined that Amazon is actively addressing those material issues raised by the various shareholder proposals. Some of the proposals were too prescriptive in their request for additional information, such as requesting an alternative report on gender/racial pay in addition to the one the company already publishes and a specific supply chain report format beyond the report currently available on the company's website specifically addressing human rights. For a subset of the proposals, including the request for a report on customer use of certain technologies, such are Rekognition and an additional report on lobbying, the company is already meeting the best practices guidelines.

We will continue to engage with the company regarding the governance of and reporting on material business risks and opportunities.

EXXONMOBIL

Date: 27/05/2020

Resolution: Elect Director Angela F Bray and Kenneth C Frazier

Vote: Against

The issue of climate risk and transition-readiness are paramount investment concerns for BlackRock as we consider the financial risks facing companies in the years ahead.

We have had a long history of multiyear, intensive engagements with Exxon on a wide range of nuanced governance issues, including board composition, board shareholder engagement, corporate strategy, and oversight of climate risk, among other topics. Over the last several years, we have intensified our focus with the company on the financial risks of a transition to a lower carbon economy, and on BlackRock's desire, as a long-term investor, for more fulsome information on the company's approach to overseeing and managing these risks.

This is in line with our view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies that may significantly impair their financial position and ability to remain competitive going forward.

We have centered our engagements with Exxon around our broader request to companies and, as a carbon intensive company, to Exxon specifically, to align reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). In response to an investor vote, Exxon released its Energy and Carbon Summary in 2018 which follows the four pillars of the TCFD framework. However, despite yearly incremental adjustments, we do not believe that full adherence with the fourth pillar of the TCFD has been achieved.

As we have discussed during our most recent conversations with Exxon Mobil Corporation (Exxon), we continue to see a gap in the company's disclosure and action with regard to several components of its *climate risk management. We see this as a corporate governance issue that has the potential to undermine the company's long -term financial sustainability. Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues.*

When effective corporate governance is lacking, we believe that voting against the re-election of the responsible directors is often the most impactful action a shareholder can take. The directors in the boardroom, the independence of their voices, and the value of their collective experience are meaningful determinants of their ability to provide direction and leadership management and to oversee and drive management's performance.

2. Towers Watson Partners Fund

The following are extracts from Towers Watson in response to our questions on voting and engagement and provides an explanation as to how they co-ordinate their voting and engagement activities with companies.

As the Partners Fund is a multi-asset fund, voting rights are reflected differently in each segment of the portfolio. In equities, voting rights are virtually all exercised via the underlying managers, namely the Towers Watson Global Equity Focus Fund (GEFF) and our emerging markets managers. For private markets, the underlying fund managers typically own a majority share in the assets they hold with few formal votes taken. Where there are formal votes typically these are via Investor Advisory Committees (IACs) which are typically made up of larger investors and represent the interests of all investors in the fund. In the credit space, there are no real voting rights, but our underlying managers may engage with issuers about bond covenants. Finally in the diversifiers segment, voting rights are really not applicable due to the elevated portfolio turnover inherent to such strategies.

In GEFF, voting rights for its holdings are delegated to the underlying managers which are expected to exercise the voting rights at all times. Furthermore, we have engaged with Hermes EOS to provide voting recommendation to enhance engagement and achieve responsible ownership. Where they choose to vote differently to the Hermes EOS recommendation, the underlying managers' rationale must be noted and if required, can be discussed further with Hermes EOS. The underlying managers hold the ultimate voting authority.

We do not tend to engage directly with companies or debt issuers, as this engagement is carried out at the underlying manager level rather than ourselves.

Instead we assess, in the context of the strategy, capabilities and practices around ESG integration and stewardship activities as an integral part of our overall view of the strength of the manager. Where managers are falling behind best practice or demonstrate weakness, we engage with the manager to improve and influence their actions.

We identified that one of our managers who we rated highly was falling behind industry standards relating to ESG risk evaluation and stewardship. We engaged with the manager to set out expectations for the manager to formally consider ESG risks and opportunities in their investment process, together with documentation thereof. We also outlined our views on good stewardship of assets, including that all share proxy votes are exercised where applicable for all funds, and not on a selective basis. Following this engagement the manager kicked off an internal sustainability project to improve their process. The *manager put together a new RI policy covering their approach to ESG integration (written with the help of an external sustainability consultant), committed to supporting two key sustainability initiatives (PRI and UK Stewardship code), and took the decision to set up a dedicated RI committee. In addition to this, they now employ the services of several third-party specialist data providers for ESG research and data, as well as proxy voting decisions and processes.*

We don't vote directly but statistics on voting against management undertaken by underlying managers can be found below.

Voting data

Towers Watson have only able to provide the information to 30 June 2020, so the data below is in respect of the year to this date.

The managers included represent 39.4% as at end June 2020. SSGA was not able to provide data for the SSgA Global Emerging Markets Index Equity Fund.

The managers were eligible to vote on 5440 resolutions. They voted on 98% of the resolutions. Votes for: 85%, Against 6%, Abstained: 8%. In 7% of occasions, the managers voted against the recommendation provided by a proxy advisor (ISS).

Towers Watson were unable to provide relevant and sufficient information of the most significant votes over the period in time for when this implementation statement was prepared.

3. M&G Alpha Opportunities Fund

The following information is based on the responses M&G have provided in response to our questions on voting and engagement and provides an explanation as to how they co-ordinate their engagement activities with companies.

Across all of our assets classes, M&G believes that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance.

Alongside engagement with investee companies, active voting is an integral part of our investment approach. We believe exercising our vote adds value and protects the interests of our clients as shareholders. We often get asked by clients how we carry out our voting, as a number of asset managers just follow their proxy agents advice. We use the ISS voting platform to vote and we have built, with ISS, a custom voting service that reflects our public voting policy.

Given the limited upside and potential downside of fixed income investments, the focus of our ESG analysis is on understanding downside risks. Since ESG risks often develop over the longer term, and given our long-term investment approach, we believe it is essential to integrate ESG issues into our investment process. Our integrated approach to ESG is applied across all forms of fixed income including corporate bonds, government bonds, securitised debt, real estate debt, infrastructure debt, leveraged finance, direct lending and private placements.

Engagement with issuers is usually undertaken by our credit analyst team, with support when needed from the Corporate Finance and Stewardship team, since they have a clear and detailed understanding of the ESG issues affecting the credit quality of the issuers that they cover. Although bond holders *normally have less influence than equity holders when engaging with companies, M&G considers it important to engage with fixed income issuers regarding material ESG issues in order to gain better understanding of ESG risks, and to encourage improved ESG practices.*

The additional insight often gained through ESG engagement also better informs our credit views and investment decisions. We prefer to engage on ESG issues directly with an issuer's senior management, and M&G's significant scale in fixed income markets provides us with necessary access to an issuer's senior management in order to do so. In our private debt business, we are often one of the primary sources of finance for the borrower, which can give us significant access and influence to engage.

Voting data

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, M&G's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund, for example:

BP

Objective: accounting changes support letter

Action: M&G co-signed a letter with other major BP shareholders to support the changes to its accounting assumptions, which saw the oil and gas company write down the value of assets based on a lower future expected oil price. The letter was the culmination of a large amount of lobbying behind the scenes to get exploration and production companies to be realistic about demand and pricing assumptions under a Paris-aligned world. While there was not necessarily a direct causal link between this pressure and the BP changes, it is worth noting how proactive these views have been and that the changes, which are now becoming standardised across the industry, support better information for investors. This is also likely to help companies make investment decisions that are more aligned with climate targets.