

# Hilti Pension Scheme Implementation Statement

## Purpose

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This statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 December 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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In Q3 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustees' new policy was documented in the updated Statement of Investment Principles dated 26 September 2019 and then further updated in the version dated 30 September 2020 to reflect additional detail on stewardship.

## The Trustees' updated policy

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

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

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

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. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

## Adherence to the Statement of Investment Principles

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During the reporting year the Trustees were satisfied that they followed their policy on the exercise of 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 Scheme has specific allocations to private equities as part of the diversified private markets fund, and investments in equities also forms part of the strategies for the diversified growth funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is as follows:

### Voting Information

#### Baillie Gifford Multi Asset Growth Fund

The manager voted on 95.98% of resolutions of which they were eligible out of 696 eligible votes.

### Investment Manager Client Consultation Policy on Voting

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then Baillie Gifford will engage with them on this. If a vote is particularly contentious, the manager may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

### Investment Manager Process to determine how to Vote

Thoughtful voting of Baillie Gifford's clients' holdings is an integral part of its commitment to stewardship. The manager believes that voting should be investment led, because how it votes is an important part of the long-term investment process, which is why its strong preference is to be given this responsibility by clients. The ability to vote the manager's clients' shares also strengthens its position when engaging with investee companies. The Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. Unlike many of its peers, it does not outsource any part of the responsibility for voting to third-party suppliers. The manager utilises research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with the Governance & Sustainability Principles and Guidelines and the manager endeavours to vote every one of its clients' holdings in all markets.

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

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where the manager has opposed mergers and acquisitions

- Where the manager has opposed the financial statements/annual report
- Where the manager has opposed the election of directors and executives.

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

Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. The manager votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide more nuanced market specific information.

### Top Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
<b>Covivio REIT</b>	<b>Remuneration - Policy</b>	<b>Against</b>	<b>Pass</b>
Following the AGM in 2020, Baillie Gifford informed the company of its voting decision and advised that it expects more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford has yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
<b>EDP Renovaveis</b>	<b>Elect Director(s)</b>	<b>Against</b>	<b>Pass</b>
Baillie Gifford has taken action on the election of directors at the company since the 2018 AGM. The manager's concerns are regarding the attendance record of some directors, a lack of board independence and diversity. Baillie Gifford has spoken to the company a number of times regarding these concerns and continue to raise the issue and take action where possible. As the company has an 82% controlling shareholder, its ability to influence is limited, however it believes it's important to hold the board accountable for these concerns.			
<b>Gecina</b>	<b>Incentive Plan</b>	<b>Against</b>	<b>Pass</b>
Baillie Gifford opposed three resolutions relating to remuneration as it does not believe there is sufficient alignment between pay and performance.			
<b>Merlin Properties</b>	<b>Remuneration - Report</b>	<b>Against</b>	<b>Pass</b>

Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum.			

**Voting Information**

**Schroders Diversified Growth Fund**

**Investment Manager Client Consultation Policy on Voting**

In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether this is available for the type of investment(s) they hold with Schroders.

**Investment Manager Process to determine how to Vote**

Schroders evaluate voting issues arising at investee companies and, where it has the authority to do so, vote on them in line with its fiduciary responsibilities in what the manager deems to be the interests of its clients. Schroders utilises company engagement, internal research, investor views and governance expertise to confirm its intention. Further information can be found in the Environmental, Social and Governance Policy for Listed Assets policy: <https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf>

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

Schroders considers "most significant" votes as those against company management.

The manager is not afraid to oppose management if it believes that doing so is in the best interests of shareholders and its clients. For example, if Schroders believes a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and Schroders will inform the company of its intention to vote against before the meeting, along with the rationale. Where there have been ongoing and significant areas of concerns with a company's performance Schroders may choose to vote against individuals on the board.

However, as active fund managers Schroders usually look to support the management of the companies that it invests in. Where Schroders does not do this it classifies the vote as significant and will disclose the reason behind this to the company and the public.

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

Schroders receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into its voting decisions. In addition to relying on our policies Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that its own research is also integral to the final voting decision; this will be conducted by both Schroders financial and ESG analysts. For contentious issues, its Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continues to review its voting practices and policies during its ongoing dialogue with its portfolio managers. This has led the manager to raise the bar on what it considers 'good governance practice.'

Top Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
William Lyon Homes	Advisory Vote on Golden Parachutes	Against	n/a
Schroders is not supportive of golden parachutes.			
Johnson Controls International plc	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	n/a
A sizable CIC-related severance payments was made in 2019.			
Toll Brothers, Inc.	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	n/a
n/a			
SSgA SPDR ETFs Europe I plc - SPDR	Transact Other Business	Against	n/a

BloomBarclays Emerging Markets Local Bd UCITS			
Other business not disclosed.			

**Voting Information**

**BlackRock Dynamic Diversified Growth Fund**

The manager voted on 96.8% of resolutions of which they were eligible out of 12609 eligible votes.

**Investment Manager Client Consultation Policy on Voting**

BlackRock’s voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assess a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company’s unique circumstances where relevant. BlackRock inform its 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, but the client would engage a third-party voting execution platform to cast the votes.

**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. BlackRock’s voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engage as necessary. 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. The manager may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in the Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock’s voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company’s unique circumstances where relevant. BlackRock informs its 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, but the client would engage a third-party voting execution platform to cast the votes.

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

During the period 1 July 2019 to 30 June 2020, BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in “vote bulletins”. These bulletins are intended to explain its 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 its vote determination when it is most relevant to them. BlackRock considers these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

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

BlackRock’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 Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
EXXON MOBIL CORP	<p>Item 1.2: Elect Director Angela F. Braly            Item 1.4: Elect Director Kenneth C. Frazier            Item 4: Require Independent Board            Chair <a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf</a></p>	Against, Against, For	Against, Against, For
<p>As discussed, during most recent conversations with Exxon Mobil Corporation (Exxon), BlackRock continues to see a gap in the company’s disclosure and action with regard to several components of its climate risk management. BlackRock sees this as a corporate governance issue that has the potential to undermine the company’s long-term financial sustainability. BlackRock’s 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, BlackRock believes 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 to management and to oversee and drive management’s performance.</p>			
ROYAL DUTCH SHELL PLC CLASS B	<p>Item 21: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions <a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-shell-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-shell-may-2020.pdf</a></p>	Against	Against
<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>			
CHEVRON CORP	<p>Item 6: Report on Climate Lobbying Aligned with Paris Agreement Goals  <a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf</a></p>	FOR	FOR

BIS voted FOR this proposal, as greater transparency into the company’s approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

<p><b>WOODSIDE PETROLEUM LTD</b></p>	<p><b>Item 4a: Special Resolution to Amend the company Constitution Item 4b (1-3): Ordinary Resolution on Paris Goals and Targets Item 4c: Ordinary Resolution on Climate-Related Lobbying Item 4d: Ordinary Resolution on Reputation Advertising Activities</b> <a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf</a></p>	<p><b>Against, Against, Against, Against</b></p>	<p><b>Against, Against, Against, Against</b></p>
<p>BlackRock will continue to engage with the board and management of Woodside on a range of governance and material sustainability issues, including its long-term ambition for carbon neutrality. BlackRock will also monitor and provide feedback on the relevant disclosures and targets once published.</p>			
<p><b>BARCLAYS PLC</b></p>	<p><b>Resolution 29: Approve Barclays' Commitment to Tackling Climate Change Resolution 30: Approve ShareAction Requisitioned Resolution</b> <a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf</a></p>	<p><b>For, Against</b></p>	<p><b>For, Against</b></p>
<p>See above</p>			

### Voting Information

#### Partners Group Partners Fund (SICAV)

The manager voted on 98.6% of resolutions of which they were eligible out of 763 eligible votes.

#### Investment Manager Client Consultation Policy on Voting

Partners Group does not consult with clients before voting.

#### Investment Manager Process to determine how to Vote

Partners Group’s voting process is outlined in the Proxy Voting Directive. These are a set of principles that are not intended to provide a strict guide to how Partners Group votes, but rather how Partners Group typically approaches core aspects of corporate governance. This applies only to the listed portion of the Fund and is not applicable for private market investments, which make up the bulk of this Fund. In certain circumstance Partners Group may receive proxy requests for publicly traded securities within a private markets portfolio. Typically when this occurs it will be evaluated by Transaction Services together with the relevant investment team and/or the relevant Investment Committee.

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



Size of the holding in the Fund.

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

Partners Group hire services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with our Proxy Voting Directive. Wherever the recommendations for Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, they vote manually on those proposals.

**Top 5 Significant Votes during the Period**

Company	Voting Subject	How did the Investment Manager Vote?	Result
Ferrovial	<b>Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy.</b>	<b>Against</b>	<b>In favour of management</b>
The % of against votes for this proposal increased from 24% in 2019 to 35% in 2020. Management already made a few improvements to the remuneration plan, but these were insufficient. Partners Group will continue to vote against this proposal until they believe there is a reasonable remuneration policy in place.			
Techem	<b>Amendment of subcontractor's contracts, GDPR compliance, sustainability improvement initiative</b>	<b>Control of board</b>	<b>n.a.</b>
As part of its commitment to promote and improve sustainability, Techem initiated a new program across the company led by a newly hired sustainability communication professional. As for the initiative to improve sustainability, the initial focus was to engage with key stakeholders within and outside the organization with the goal of defining priority topics. These topics will form the basis of Techem's sustainability management program, which the company will start to report on from 2021.			
USIC	<b>Establishment of a zero-tolerance safety program, launch employee retention initiative and optimization of driving routes</b>	<b>Control of board</b>	<b>n.a.</b>
n/a			
Fermaca	<b>Improvement of health and safety performance, management of climate-related impacts and strengthening of internal policies</b>	<b>Control of board</b>	<b>n.a.</b>
n/a			
Civica		<b>Control of board</b>	<b>n.a.</b>

<b>COVID 19 measurements, efforts on diversity and employee retention efforts</b>		
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Employee retention remains a focus area for Civica. Due to the pandemic, the annual NPS exercise was not conducted this year, but they have done monthly pulse checks since the beginning of the lockdown to ensure employee engagement remained high.
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