Implementation Statement

Professional Footballers' Pension Scheme (Cash Benefit)

Scheme year ended 31 July 2021

This statement sets out the Trustees' approach and implementation of the Environmental, Social and Governance ("ESG") policies set out in the Statement of Investment Principles over the year to 31 July 2021.

The voting behaviour is not given over the Scheme year end to 31 July because investment managers only report this data quarterly, we have therefore given the information over the year to 30 June 2021.

The Scheme's investment managers are Baillie Gifford & Co ("Baillie Gifford") and Insight Investment Management ("Insight").

Voting and engagement policies

The Scheme invests entirely in pooled funds and, as such, delegates' responsibility for carrying out voting and engagement activities to the Scheme's investment managers. The Trustees monitor the engagement and voting activities of the managers by meeting the managers over the year and receiving training from the Trustees' investment consultant, and discussing these at regular Trustee meetings.

Over the Scheme year the Trustee has reviewed the ESG and Stewardship considerations in relation to their investment managers. The Trustee regularly considers the performance of the funds and any significant developments. On 20 April 2021 the Trustee received presentations from Baillie Gifford and Insight which involved updates on their investment approach, including training on how ESG factors are taken into consideration. The Trustees are comfortable that the managers are undertaking their voting and engagement in line with the Trustees' policies as far as the reporting is available.

Voting Data

The voting data collated for the Scheme is given over the year to 30 June 2021.

Manager	Baillie Gifford
Fund names	**Diversified Growth:** Multi-Asset Growth Fund
Structure	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.
Number of resolutions the manager was able to vote at over the year	1,296
Percentage of resolutions the manager voted on*	98.2%
Percentage of resolutions the manager abstained from*	1.0%
Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	4.7%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	BG vote in line with their in-house policy and not with the proxy voting providers' policies. They do not record where they have voted in-line with or against their recommendations.

**as a percentage of possible votes*
Source: Baillie Gifford & Co

There are no voting rights attached to the other assets held by the Scheme, which include Liability Driven Investment ("LDI") funds and bonds, as these funds do not hold equities.

Significant votes

The Trustees have delegated to the investment managers to define what a "significant vote" is. Data on significant votes pertaining to the Baillie Gifford Multi-Asset Growth Fund are shown below.

Baillie Gifford, Multi-Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Rio Tinto PLC	Vonovia SE	Six Flags Entertainment
Date of vote	09/04/2021	16/04/2021	05/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.7%	12.2%	5.3%
Summary of the resolution	Remuneration - Report	Amendment of Share Capital	Remuneration - Say on Pay
How the manager voted	Against	Against	Against

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	Yes	No
Rationale for the voting decision	Baillie Gifford opposed the remuneration report as they did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	Baillie Gifford opposed the executive's remuneration as several aspects are not in line with their best practice.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Following the submission of their votes Baillie Gifford engaged with the company to communicate their concerns. Whilst they did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy. Baillie Gifford continue to be focussed on having good open communication with the leadership team which they believe is valuable as long-term investors.	In advance of the AGM Baillie Gifford contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance therefore they did not feel it was in the clients' interest to support the two equity issuance resolutions. Baillie Gifford encourage the company to provide this additional assurance so they could consider supporting in future.	Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO. In light of COVID-19, when reviewing proposals relating to executive compensation they assess whether executive pay is aligned with the experience of employees and shareholders. They felt they could not justify supporting a sizeable long-term incentive award for the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs. Baillie Gifford communicated their concerns to the company following the submission of the votes and will continue to engage on their concerns. Although this proposal was passed, 41% of shareholders opposed it.
Criteria on which the vote is considered "significant"	This resolution is significant because the manager opposed remuneration.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activity undertaken by each manager during the year for the relevant funds. The information is given over the year to 30 June 2021.

Manager	Baillie Gifford	Insight

Fund name(s)	**Diversified Growth:** Multi-Asset Growth Fund	**Liability Driven Investment:** LDI Funds and Liquidity Fund **Bonds:** Buy and Maintain Bond Funds
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Number of engagements undertaken at a firm level in the year	3,030	793

Source: Baillie Gifford & Co, Insight Investment Management

Each manager has provided an example to illustrate the sort of engagement activities undertaken.

Manager	Examples of engagement
Baillie Gifford	On 9 February 2021, Baillie Gifford met with Greencoat UK Wind who specialise in renewable infrastructure investments in wind farms. They discussed the board's approach to valuation assumptions and to understand the extent to which the board engages with and challenges the investment manager and portfolio operator's carbon footprint. Greencoat UK Wind explained the fund's focus on maintaining oversight of the pipeline of possible deals and its rigorous approach to assessing potential new acquisitions for the portfolio; last year, 20 possible acquisitions were priced, but only five were committed to. Also, because the board chooses to use what it thinks are consistent and conservative power price assumptions, the expected level of dividend can be delivered to shareholders, even during the period of low wind generation and difficult market conditions resulting from the Covid-19 pandemic during Q1 2020, for example. Although Greencoat UK Wind is 'fairly at the beginning of its carbon agenda', in the upcoming annual report the fund will report for the first time in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and set out the fund's thinking about its road to net zero. Baillie Gifford hope to see improvements to the board's oversight of - and challenge to - Greencoat Capital's management of the portfolio's operational carbon performance. Committing to disclose at fund level - Baillie Gifford's minimum expectation - and to align carbon reporting to the TCFD recommendations is considered a promising step forward.
Insight	Insight engaged with Exxon as they have a worst-in-class Climate Risk Rating of 5 due to their very high emissions (leading to >5°C alignment). Their overall ESG rating is 4. Insight engaged with Exxon on their limited efforts to mitigate their impact on biodiversity and the limited evidence provided showing they are trying to reduce their carbon emissions. Insight expressed concerns about the lack of independent directors on the board who were also experts in energy. Exxon have committed to reducing GHG by 30% for the upstream business however this accounts for less than half of the total emissions. In addition they are making no renewable energy investments. Instead they are focused on Global Thermostat technology, removing carbon dioxide directly from the atmosphere, which is yet to provide conclusive and scalable results. The combination of lack of engagement response from the issuer and poor climate scores has led Insight to move this name to sell. Insight sold exposure to Exxon across their Buy and Maintain Bond portfolios.

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the voting and engagement action taken by the applicable investment managers over the period.

The Trustees and their investment consultant (along with the investment industry as a whole) are working with the investment managers to provide additional voting and engagement information in the future. This will enhance the Trustees' ability to assess the investment managers' stewardship and engagement with investee companies on their behalf.

Prepared by the Trustees of the Professional Footballers' Pension Scheme

November 2021