

Chemring Group Staff Pension Scheme

Implementation Statement

This is the Implementation Statement prepared by the Trustees of the Chemring Group Staff Pension Scheme (“the Scheme”) and sets out:

- How the Trustees’ policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 March 2021.

How voting and engagement policies have been followed

The Trustees invest entirely in pooled funds, and therefore delegate responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.

The Trustees have reviewed the stewardship and engagement activities of the current managers during the year and were satisfied that their policies were reasonable and no remedial action was required during the period.

Each year the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with their own policies.

Additional information on the voting and engagement activities carried out for the Scheme’s investments are provided on the following pages. The Trustees and their investment consultant are working with the fund managers to improve the availability and quality of information included in future Implementation Statements.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

Voting undertaken on behalf of the Trustees

Voting only applies to equities held in the portfolio. The Scheme’s equity investments are held in pooled equity funds managed by Legal & General Investment Management (LGIM) and Partners Group (“Partners”). The use of pooled funds means that there is limited scope for the Trustees to influence voting, which is carried out by the fund managers on behalf of the Trustees. The table below provides a summary of the voting activity undertaken by LGIM and Partners during the year. Note, Partners only provide voting data twice yearly, so information in respect of The Partners Fund is for the year to 31 December 2020.

Manager	LGIM					Partners Group
Fund name	UK Equity Index	Europe (ex UK) Equity Index	North America Equity Index	Japan Equity Index	Asia Pacific (ex Japan) Developed Equity Index	The Partners Fund
Structure	Pooled					
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.					
Number of company meetings the manager was eligible to vote at over the year	943	686	794	551	534	58
Number of resolutions the manager was eligible to vote on over the year	12,574	11,412	9,495	6,518	3,774	763
% of resolutions the manager voted on	100.0%	99.9%	100.0%	100.0%	100.0%	99.0%
% of resolutions the manager abstained from	0.0%	0.5%	0.0%	0.0%	0.0%	1.0%
% of resolutions voted <i>with</i> management	92.9%	84.2%	71.8%	86.1%	74.2%	92.0%
% of resolutions voted <i>against</i> management	7.1%	15.3%	28.2%	13.9%	25.8%	7.0%
% of resolutions voted contrary to the recommendation of the proxy advisor	0.8%	0.4%	0.3%	0.2%	0.2%	2.0%

Some voting percentages quoted above may not sum to 100%. Managers' assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

There are no voting rights attached to the other assets held by the Scheme and therefore no voting is information shown for these assets.

Significant votes

For the first year of implementation statements we have delegated to the investment managers to define what a “significant vote” is. A summary of the data they have provided is set out below.

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6
Funds affected	LGIM UK Equity Fund	LGIM UK Equity Fund	LGIM UK Equity Fund	LGIM Europe (ex UK) Equity Fund	LGIM North America Equity Fund	LGIM North America Equity Fund
Company name	International Consolidated Airlines Group	Rank Group	Barclays	Lagardère	ExxonMobil	The Procter & Gamble Company (P&G)
Date of vote	7 September 2020	11 November 2020	7 May 2020	5 May 2020	27 May 2020	13 October 2020
Summary of the resolution(s)	Approval of remuneration report	1. Approval of remuneration report 2. Approval of remuneration policy	1. Approval of Barclays' Commitment in Tackling Climate Change 2. Approval of ShareAction's Requisitioned Resolution	1. Appointment of eight new directors 2. Removal of incumbent directors	Elect Director Darren W. Woods	Report on effort to eliminate deforestation
How the manager voted	Against	1. For 2. For	1. For 2. For	1. For five of the eight proposed candidates 2. For the removal of five incumbent directors	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.					
Rationale for the voting decision	The remuneration paid to executives was considered excessive by the manager, especially because the COVID-19 crisis has negatively impacted the company.	The manager felt that the remuneration report/policy appropriately reflected the impact of COVID-19, as no annual bonus was granted and there was a 20% deduction to	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.	The manager voted for as the company strategy was not creating value for shareholders, the board members were not sufficiently challenging management, and there	ExxonMobil was removed from LGIM's Future World Fund range following LGIM's annual "Climate Impact Pledge" ranking of the company. LGIM will be voting against the chair of the board, as well as supporting an	P&G use forest pulp and palm oil as raw materials, two leading drivers of deforestation and forest degradation. Two of P&G's Tier 1 palm oil suppliers were linked to illegal deforestation.

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6
		executive salaries and board fees.		were various governance failures.	independent chair and political lobbying report.	
Outcome of the vote	28.4% voted against the resolution.	1. 90.8% supported the resolution 2. 96.4% supported the resolution	1. 99.9% supported the resolution 2. 23.9% supported the resolution	30%-40% of shareholders voted for both resolutions.	93.2% voted for the re-election of Darren Woods.	67.68% of shareholders voted in favour of the resolution.
Implications of the outcome	LGIM will continue to engage with the renewed board.	LGIM notes that their engagement with the company led to their informed vote decision.	LGIM will continue to work closely with the Barclays board and management team to develop their plans.	LGIM will continue to engage with the company on its future strategy and to keep the Supervisory Board under review.	LGIM will continue to engage with the company to push for change. LGIM's voting decision received significant attention from the media.	LGIM will continue to engage with the company on this issue and will monitor its CDP disclosure for improvement.
Criteria on which the vote is considered "significant"	The vote highlights the importance of monitoring investee companies' responses to the COVID-19 crisis.	The vote illustrates the complexity of remuneration and importance of engagement. The media were also expecting a large number of votes against.	There was significant client interest in their voting and engagement activities with regards to the Barclays 2020 AGM.	Media attention and public interest in the proposed revocation of the board.	The vote was against the chair of the board due to LGIM's "Climate Impact Pledge" escalation sanction.	The vote is linked to LGIM's five-year strategy for tackle climate change and attracted significant client interest.

	Vote 7	Vote 8	Vote 9	Vote 10	Vote 11	Vote 12
Funds affected	LGIM North America Equity Fund	LGIM Japan Equity Index Fund	LGIM Japan Equity Index Fund	LGIM Japan Equity Index Fund	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund
Company name	Walgreens Boots Alliance, Inc.	Toshiba Corp.	Fast Retailing Co. Limited	Olympus Corporation	Whitehaven Coal	Samsung Electronics
Date of vote	28 January 2021	18 March 2021	26 November 2020	30 July 2020	22 November 2020	17 March 2021
Summary of the resolution(s)	Ratify named executive officer's compensation	1. Appointment of three individuals to investigate status of operations and company property. 2. Amendment of Articles to mandate shareholder approval for strategic investment policies.	Elect Director Yanai Tadashi	Elect Director Takeuchi, Yasuo.	Approval of capital protection, including a report on the company's potential wind-down of its coal operations and returning increasing amounts of capital to shareholders.	Election of Directors
How the manager voted	Against	1. For 2. For	Against	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.					
Rationale for the voting decision	The manager believes that the approval of a discretionary long-term incentive plan is significantly misaligned with the company's performance. In particular, the Earnings Per Share fell by 88% during the year.	There has been a significant decline in trust between the shareholders and management due to allegations of abnormal practices and behaviours by the company surrounding the July 2020 AGM, including doubtful conduct and vote tallying. The manager believes the	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. The manager felt that the board lacked gender diversity and believes that every board should have at least one female director.	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. The manager felt that the board lacked gender diversity and believes that every board should have at	LGIM advocates for a "managed decline" for fossil fuel companies, in line with global climate targets and in support of capital being returns to shareholders rather than risking capital expenditure on potential stranded assets.	Lee Jae-yong, vice chairman of Samsung Electronics and son of former company chairman, was sentenced to prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. The company claims that ties have been severed, however the manager is not satisfied that the independent compliance

	Vote 7	Vote 8	Vote 9	Vote 10	Vote 11	Vote 12
		above resolutions will aid the rebuilding of trust.		least one female director.		committee has become fully effective and that Lee Jae-yong is not making strategic company decisions from prison.
Outcome of the vote	52% of shareholders voted against the resolution.	1. 57.9% supported the first resolution. 2. 39.3% supported the second resolution.	The resolution was supported by shareholders.	94.9% supported the resolution.	4% voted in favour of the resolution.	The meeting results are not available as of yet.
Implications of the outcome	LGIM will continue to monitor the company.	LGIM will continue to monitor the company.	LGIM will continue to engage with the company and require increased diversity on all Japanese company boards, including Fast Retailing.	LGIM will continue to engage with the company and require increased diversity on all Japanese company boards, including Olympus Corporation.	LGIM continues to monitor the company and notes that it pled guilty to 19 charges for breaching mining laws that cause "significant environmental harm". The company is on LGIM's Future World Protection List of exclusions.	LGIM will continue to monitor the company.
Criteria on which the vote is considered "significant"	The vote was controversial and high-profile.	The vote was controversial and received a lot of attention.	The manager believes it is imperative that Japanese companies increase their diversity.	The manager believes it is imperative that Japanese companies increase their diversity.	The vote received media scrutiny and showcases increasing "green" shareholder activism.	The vote was high-profile and subject to client and public scrutiny. The sanction vote was as a result of engagement.

	Vote 13	Vote 14
Funds affected	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	The Partners Fund
Company name	Qantas Airways Limited	Ferrovial
Date of vote	23 October 2020	16/04/2020
Summary of the resolution(s)	1. Approval of Alan Joyce's participation in the Long-Term Incentive Plan 2. Approval of the remuneration report	Remuneration report, to provide shareholders information and voice on implementation of remuneration policy.
How the manager voted	1. Against 2. For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM.	No
Rationale for the voting decision	1. The grant for the Long-Term Incentive Plan (LTIP) remained despite struggles the following the COVID-19 crisis, therefore the manager voted against. 2. The remuneration report included executive salary cuts, short-term incentive cancellations and LTIP deferment, and therefore was voted for.	1. Inadequate disclosure of performance targets linked to remuneration 2. No deferral of annual bonus to management 3. Sizeable equity rewards to controlling shareholder/executive chair
Outcome of the vote	1. 90% supported the resolution. 2. 91% supported the resolution.	In favour of management
Implications of the outcome	LGIM will continue to engage with the company.	Partners will continue to vote against this proposal until they believe a reasonable remuneration policy is in place.
Criteria on which the vote is considered "significant"	The vote highlighted the challenges of considering the COVID-19 crisis into the remuneration package.	Size of holding in the Fund

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees.

Data Limitations

Information relating to fund level engagement policies was requested from the Scheme's investment managers. LGIM have provided their data at a firm level, rather than at fund level. The Trustees' investment consultants are working with the managers to improve the depth of the information provided in the requested format.

The table below provides a summary of the engagement activity undertaken by managers during the year at a firm level.

Manager	LGIM	Partners Group	Janus Henderson
Fund name	Applicable for all LGIM funds	The Partners Fund	Multi Asset Credit Fund
Does the manager perform engagement on behalf of the holdings of the fund(s)	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in the fund(s) in the year	Information not provided	Information not provided	Information not provided
Number of engagements undertaken at a firm level in the year	974	Information not provided	Information not provided
Number of companies the manager engaged with at a firm level during the year	874	Information not provided	Information not provided
Examples of engagements undertaken at a firm level in the year	<p>Engagement issues over the year to 31 March 2021 included: Remuneration, Board Compensation, Strategy, Climate Change, COVID-19, Gender and Ethnic Diversity, and ESG Disclosures.</p> <p>One example is LGIM's engagement regarding Barclays' AGM, which has drawn significant client interest. LGIM endorsed Barclays' ESG target to shrink its carbon footprint to net zero by 2050, and are helping develop plans to achieve their target.</p>	<p>Techem: amendment of subcontractors' contracts, GDPR compliance, sustainability improvement initiative.</p> <p>USIC: establishing zero-a tolerance safety program and employee retention initiative.</p>	<p>Tesco: engaged on supply chain, focusing on deforestation and sustainable sourcing of soy/palm oil and meat.</p> <p>Drax: transitioning to renewable energy</p>