Engagement Policy Implementation Statement

Persimmon Plc Pension & Life Assurance Scheme

Introduction

This document sets out the actions undertaken by the Trustee of the Persimmon Plc Pension & Life Assurance Scheme (the "Scheme") , its service providers, including the investment adviser and the investment managers; to implement the policies as set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the first engagement policy implementation statement the Trustee has prepared and covers the year ending 31 December 2020.

Scheme stewardship activity over the year

Training

In 2019 the Trustee received a responsible investment (RI) training session from Aon's RI team which provided the Trustee with an update on responsible investing and the evolving regulatory requirements. In March 2021 the Investment Committee received a training session from Aon's investment manager research equity team and the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance (ESG) factors in investment decision making.

Updating the Stewardship Policy

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon’s researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

The two funds that Aon does not Buy-rate (Aon Investments Limited and Troy Asset Management) were still monitored closely over the year, as the Investment Committee reviewed additional voting and engagement activity information from those managers.

Manager Meetings

Over the year, the Investment Committee received presentations from Ninety One and Baillie Gifford, including updates on their respective Stewardship programs and ESG integration. In addition, the Investment Committee received several updates from Barings, engaging with them on a number of areas including performance, strategy and risk.

Voting and Engagement – Equity and Multi-Asset

Over the year, the Scheme was invested in the following funds which held equity exposure:

- Aon Investments Limited ("AIL") – Global Active Equity Fund
- Epoch Investment Partners - Global Equity Shareholder Yield Fund
- Lindsell Train - UK Equity Fund
- Ninety-One - 4factor Global Dynamic Equity Fund
- Baillie Gifford & Co - Long Term Global Growth Fund
- Troy Asset Management - Troy Trojan Fund

Aon Investments Limited (AIL)

Under the Trustee's fiduciary mandate managed by Aon Investments Limited ("AIL"), AIL appoint underlying asset managers to achieve an overall target return. The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL and AIL have confirmed that all equity managers have been rated 2 or above on AIL's four-tier ESG ratings system. This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

Voting

The Active Global Equity Strategy invested in 5 underlying equity funds over the period. All managers provide voting information quarterly and all managers voted more than 95% of all eligible resolutions for every quarter apart from GQG Partners and ArrowStreet Global Developed Equity Fund who were slightly below 90% in one quarter each. All managers have also provided evidence of voting against investee company management on occasions and never having voted "abstain" more than 5% of the time in any given quarter.

All equity managers utilise the services of third party proxy voting service (typically Institutional Shareholder Services (ISS) and Glass Lewis) providers for various services such as providing vote recommendations or research.

Engagement

AIL recently engaged with one of the managers in the Global Active Equity Strategy, during Q2 2020. As part of AIL's ESG deep dive engagement with the manager, it became apparent that they lacked structured analysis of ESG risks and predominantly engaged with companies on governance related issues. It was clear to AIL that the manager had thought about ESG risks in their portfolio, however it seemed like something that analysts and portfolio managers did on an ad-hoc basis rather than being a robustly integrated part of their process.

The lack of formal process for assessing ESG risks, coupled with limited engagements on environmental and social matters provided AIL with an opportunity to encourage the manager into making improvements. Following the meeting AIL provided feedback to the manager that it should:

- Develop a more thorough and formal method for assessing ESG risks.
- Develop understanding of TCFD to improve monitoring of climate related risks and reporting on it.
- Improve voting and engagement activities which were currently centred around governance issues.
- Work with the proxy advisor to improve the data collected and report on proxy voting.

During AIL's second ESG deep dive meeting with the manager in Q4 2020, AIL were pleased to see improvements and progress made. Specifically, the manager had:

- Formalised the ESG integration process by building out a framework for assessing ESG risks.
- Onboarded ESG data provider, Sustainalytics, and to use this data with a set of qualitative ESG questions to feed into the quality rating that the manager gives each company, which forms a critical component of the investment decision.
- Had taken more time to engage with companies on environmental and social issues, such as standards to measure board diversity and composition and engaging with a distribution business on carbon emissions and how they can more efficiently move goods around.

Given that during AIL's first meeting with the manager they could only speak about governance related engagements and had no formal process for assessing ESG risks, AIL think these improvements demonstrate significant progression and should better protect and enhance the long-term value of the portfolio

Epoch Investment Partners

Voting

Epoch will use its best judgment to vote proxies in the manner it deems to be in the best interests of its Clients. In the event that judgment differs from that of Institutional Shareholder Services (ISS), or that investment teams within Epoch wish to vote differently with respect to the same proxy in light of their specific strategy, the Firm will memorialize the reasons supporting that judgment and retain a copy of those records for the Firm's files. The Compliance Department will periodically review the voting of proxies to ensure that votes which have diverged from the judgment of ISS, were voted consistent with the Firm's fiduciary duties.

Global Equity Shareholder Yield Fund	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Number of resolutions eligible to vote during the period	129	1,366	55	96
% of resolutions voted	82%*	98%	100%	92%
Of the resolutions on which the fund voted, % that were voted against management	2%	6%	0%	3%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0%	0%	0%

**relatively low number of actual votes vs. eligible votes in the quarter was because of one security, Novo Nordisk, where Epoch did not have Power of Attorney to actually vote. Epoch are working to resolve this issue.*

An example of a significant vote provided by Epoch is when a client approached them to ask about Epoch's voting intentions for Chevron and Exxon Mobil. Epoch had a lengthy correspondence with the client, offering their recommendations and ultimately tailoring the voting to reflect the clients' wishes, which did not accord with Epoch's initial recommendation. The proxy items in question ranged from the re-election of directors, reporting on climate risk to voting on lobbying policies. Epoch included these items in their engagement topics with the two companies and kept the client updated on their interaction.

Engagement

Epoch engages directly with companies to discuss key ESG issues, largely focused on climate change. They assess the carbon exposure of portfolios on a quarterly basis and identify the stocks that are the principal drivers of that exposure. Epoch subsequently engage with companies where they feel they need to better understand potential risks.

An example engagement was with American Electric Power that began in November 2019. Through their quarterly carbon analysis of the portfolio, Epoch identified the company as a large contributor to the carbon footprint. Epoch engaged with the company to learn more about their strategy for mitigating climate risk, particularly transition risk. The engagement is ongoing, and the company is in the early stages of implementing its net zero emissions strategy. As Epoch remain shareholders and the company continues to be a large contributor to the portfolio carbon footprint, they will continue to engage with the company to monitor the implementation of their carbon reduction plan.

Lindsell Train (LT)

Voting

LT votes on behalf of its clients in accordance with its own Proxy Voting Guidelines which govern, under each category, whether to vote For, Against or Abstain. These guidelines are approved collectively by the Portfolio Managers and they are reviewed semi-annually. Portfolio Managers maintain final decision-making responsibilities for all votes, based on the detailed knowledge of the companies in which LT invest. LT has appointed an independent proxy agent, Glass Lewis to assist with the proxy voting process. Glass Lewis provides additional research, analysis and voting recommendation, based upon their own policy and LT's Proxy Voting Guidelines. LT will give consideration to Glass Lewis' voting recommendations but will not necessarily support their position if it is not viewed by LT as in the best interest of their clients. Voting authority remains with LT. LT believes that proxy voting forms an important part of their investment process and proactive company engagement strategy.

UK Equity Fund	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Number of resolutions eligible to vote during the period	39	220	101	54
% of resolutions voted	100%	100%	75%	100%
Of the resolutions on which the fund voted, % that were voted against management	0%	0%	0%	0%
Of the resolutions on which the fund voted, % that were abstained from?	0%	1%	0%	0%

Engagement

Given the concentrated nature of LT's portfolios and the fact that they build up large, long-term, stakes in the businesses in which they invest, LT are able to prioritise all engagement activity and consider all votes to be significant. An example of a significant vote and engagement is where LT voted with Pearson's management recommendation in September 2020. The proposal was seeking approval on "Amendment to Remuneration Policy – Permit Co-Investment Grant". 32.8% of votes went against management but following a conference call engagement with the company to better understand the remuneration package offered to the proposed new CEO ahead of the shareholder vote, LT decided to continue to support the management of Pearson. LT concluded that the package was fair, for a very strong candidate (LT are trusting the Board that this is the case), and also aligns interests, given the heavy co-investment element.

Ninety One

Voting

Ninety One receives proxy voting research from the Institutional Shareholder Service (ISS). ISS provide Ninety One with research recommendations and recommendations based on Ninety One's internal voting policy but the voting decision and execution of the vote remains with Ninety One. Ninety One's relevant investment team in accordance with the investment philosophy, supported by the ESG team take these recommendations into consideration and reach to a voting decision which are in the interest of shareholders.

4factor Global Dynamic Equity	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Of the resolutions on which the fund voted, % that were voted with management	87.5%	91.5%	87.7%	89.8%
Of the resolutions on which the fund voted, % that were voted against management	12.5%	8.5%	12.3%	10.2%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0.5%	3.5%	6.8%

An example of significant vote was Ninety One voting with the management of Citigroup Inc against a shareholder resolution in April 2020 for a Report on Lobbying Payment and Policy. The rationale behind the voting decision is that the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risk. This vote was deemed significant on the basis that it is a vote in favour of thematic nature (social) and a shareholder proposal.

Engagement

Ninety One's Investment team initiates engagement based on their investment processes and priorities. The ESG team provides engagement advice and targets material ESG themes and specific holding that are significant to Ninety One and its clients. The team is accountable to executive leadership through the Investment Governance Committee for policy implementation and engagement on quarterly basis.

Under its strategic engagement approach Ninety One build professional relationship and explains concern and the opportunities to its investee companies through fundamental investment and voting analysis. Ninety one also seek company commitment, revise plan and escalates if appropriate to do so.

In November 2020, Ninety One had a call with Volkswagen Investor Relations and ESG specialist to, first, express disappointment with the behaviour of the Supervisory Board and the way in which it is stifling Volkswagen's progress, second, to understand the evolution of VW's governance more broadly as it relates to processes and oversight. As a result of this call Volkswagen now has a better understanding of Ninety One's expectation of the Supervisory Board. Ninety One also have a better understanding of the governance evolution Volkswagen continue to pursue. Ninety One has a direct contact with the ESG specialist at Volkswagen to discuss future matters.

Baillie Gifford & Co

Voting

Thoughtful voting of Baillie Gifford clients' holdings is an integral part of their commitment to stewardship. Baillie Gifford believe that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their strong preference is to be given this responsibility by their clients. The ability to vote their clients' shares also strengthens Baillie Gifford position when engaging with investee companies. Baillie Gifford's Governance and Sustainability team oversees their voting analysis and execution in conjunction with the investment managers. Baillie Gifford do not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers (ISS and Glass Lewis) for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.

Long-term Global Growth	2020
Number of resolutions eligible to vote during the period	381
% of resolutions voted	100%
Of the resolutions on which the fund voted, % that were voted against management	2.9%
Of the resolutions on which the fund voted, % that were abstained from?	0%

An example of a significant vote is one at Tesla in September 2020, which was submitted by shareholders and received more than 20% support. Baillie Gifford supported a shareholder proposal requesting a report on the company's use of arbitration to resolve employee disputes. Baillie Gifford think additional disclosure and transparency on this provision would clarify Tesla's workplace practices. Tesla currently does not report on its grievance mechanism for employees or provide the racial, ethnic and gender breakdown of its workforce. Baillie Gifford believe peers provide better disclosure of this information and have started to move away from the use of mandatory arbitration. They will continue to monitor this topic in the discussions with the company.

Engagement

Baillie Gifford state that in running often concentrated active portfolios, monitoring their investee companies on an ongoing basis is a fundamental part not just of the investment process but also in how they discharge ownership responsibilities. They meet with management and other executive staff, heads of divisions, and nonexecutive board members, where appropriate. The importance of these meetings cannot be overstated; they are integral to building relationships with management, to understanding the less tangible aspects of a company, such as corporate culture, and they facilitate two-way dialogue between companies and themselves.

Troy Asset Management

Voting

Voting is conducted through a ‘proxy advisor’, ProxyExchange, a platform provided by ISS. ISS also provide Troy with proxy voting research. Troy uses ISS’s research to inform the decision-making process but is not tied to the recommendations made by ISS.

Votes are cast in line with management unless it is decided, on a case by case basis, that investors’ interests are better represented by either abstaining or voting against management. To date Troy have not felt that any universally applied and prescriptive policy can adequately reflect the best interests of long-term shareholders and have preferred to take a case-by-case approach, voting against management if exceptional circumstances warrant such action.

Troy recognise that whenever possible it is preferable to ensure that voting on any resolution is incorporated as part of the wider engagement with management. Troy’s preferred course of action would be to have dialogue with any company ahead of casting a vote against management.

Troy Trojan Fund	Q1 2020*	Q2 2020	Q3 2020	Q4 2020
% resolutions voted	N/A	100%	100%	100%
% resolutions voted against management	N/A	4%	0%	4%
% resolutions abstained	N/A	0%	0%	0%

*There were no voteable proposals in Q1 2020.

Engagement

Troy recognise that engagement is an important aspect of exercising their fiduciary duty. Any engagement which Troy would make needs to have a clear objective in mind, engagement must be material and constructive. Engagements are done via meetings, emails, letters or telephone calls with members of the company including investor relations, the executive management team, members of the board and/or the chairman. Any such engagement is performed by the members of the Troy's Investment Team and Fund Managers, rather than by an engagement team. This process ensures that any engagement is conducted in the context of the broader investment process thus delivering an integrated and consistent message to management teams.

Troy consider votes to be 'significant' if: (i) Troy holds a material stake in the business (greater than 5% of the shares in issue); (ii) Troy has formally engaged with the company on a specific issue in the 12 months previous to the AGM; or (iii) any other material ESG matters are voted on.

Over the course of 2020, Troy engaged twice with American Express on the subject of their long-term remuneration incentive, the split of the CEO and Chairman roles, and the company’s diversity initiatives and disclosure. Troy voted against management on two items at their AGM, the first regarding approval of compensation programme and the second in favour of a shareholder request for disclosure around the gender-racial pay gap.

Troy engaged with company management in April, in advance of their votes at the AGM, and subsequently in November when the company invited them to contribute as part of their off-season engagement schedule. The two engagements covered the above topics in particular, with more general engagement around company culture and the response to COVID. While the company has not yet implemented Troy's recommendation for a more challenging return on equity hurdle for the long-term remuneration KPI, this was acknowledged as desirable by the head of compensation and Troy will continue to engage on the issue as the company assesses its policy. Troy have been impressed by some of the company's initiatives on gender and racial diversity, announced since they began engaging with the company on this. These encompass a range of measures including the introduction of 20-week paid gender-neutral parental leave for US employees, an outlier in a country which is generally regressive on this front. Troy will continue to request increased disclosure around diversity metrics and pay equity.

Engagement – Fixed Income

The Scheme also invested in two fixed income funds with Barings:

- European Loan Fund
- Global High Yield Credit Strategies

Barings believe that value is derived from transparent communication with the entities in which they invest coupled with the expertise and discretion of experienced analysts and portfolio managers.

Barings broadly prioritize engagements according to the materiality of a topic to the investment case, as determined by their analysts' ESG research, as well as by the size of the holdings. The former affects the value that may be realized, and the latter may affect the chance of success. Barings prefer to engage proactively and on longer-term issues that may meaningfully affect investors, but will also engage reactively and on shorter-term threats to value on an incident-driven basis. Barings believes that the most productive exchanges occur within the context of established relationships and rapports.

Barings aim to set objectives, milestones and appropriate timelines for each engagement, and monitor the success or failure of these milestones and objectives. They may escalate unsuccessful engagements by increasing the intensity or frequency of the engagement, by joining together with other investors in a collaborative engagement, or in some cases by divesting or declining to participate in future offerings. What Barings learn in engagements feeds back into their fundamental ESG analysis and may result in changes to their investment thesis.

Company engagement is an increasing focus for the fixed income business at Barings. They have developed their own proprietary system that allows analysts to track engagement with portfolio companies to improve ESG disclosure. The expectation is that this system will materially improve their processes.

Engagement Example:

A recent engagement example is a jewellery retailer, which is a loan issuer where Barings hold underweight positions across their loan portfolios. In March 2020, the company paid a €52m dividend out of the group which was permitted under the loan facilities agreement. This action was viewed as very poor corporate governance as the dividend payment was made at a point in time when the company knew there was potential for significant upcoming disruption to business operations from COVID-19. Barings engaged with senior management and sponsors to demand repayment of the dividend into the business. Barings also leveraged their scale as a significant lender to make their consent to a separate company amendment request to waive an excess cash flow repayment contingent on the cash being put back into the business. Ultimately, this engagement proved successful with sponsors and management making an irrevocable written commitment to repay the dividend into the business.

Summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of their applicable asset managers were able to disclose strong evidence of voting and engagement activity.

The Trustee expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.