

Repsol Sinopec Pension and Life Scheme – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 March 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Group

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set for the Scheme, as follows:

The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.

In doing so, the Trustee will take into consideration the level and variability of the contributions from the sponsoring Company.

Review of the SIP

During the year, the Trustee has reviewed the Scheme's SIP. A revised SIP was agreed in September 2020, to reflect the following:

- Termination of the Aberdeen Standard Investment Diversified Growth Fund;
- Change in the Baillie Gifford Diversified Growth Fund benchmark;
- New regulations under The occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include Trustee's policies in relation to the arrangements with their investment managers, including:
 - o How the arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee's policies in the SIP.
 - o How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
 - o How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
 - o How the Trustee monitors portfolio turnover costs incurred by the asset managers and how they define and monitor targeted portfolio turnover or turnover range.
 - o The duration of the arrangements with the asset managers.

With input from the Scheme's investment consultant, the Trustee reviews the balance of assets between the Scheme's managers and asset classes and seeks to ensure that the Scheme's asset

allocation remains close to the strategic benchmark by directing positive cashflow to, or disinvestments from, the appropriate manager(s).

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

As set out in the SIP, the Trustee has given appointed investment managers full discretion in the evaluation of ESG factors, including climate change considerations. The Trustee also considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers.

Of the Scheme's managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly in the managers' pooled funds (Majedie, Legal and General Investment Management ("LGIM") and Veritas) or indirectly through the Diversified Growth Fund ("DGF") (Baillie Gifford).

- The investment performance report, produced by the Scheme's investment consultant, is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and ESG specific) from the investment consultant.
- The Scheme's investment managers engaged with companies over the period under review on a wide range of different issues, including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

Investment Mangers' Voting and Engagement Activity

The Trustee have delegated their voting rights to the investment managers. The Trustee expects that the votes attached to the Scheme's holdings are exercised whenever practical by the Scheme's investment managers.

Investment managers are expected to provide voting summary reporting (where applicable) on a regular basis, at least annually.

It is expected that, when the investment managers present to the Trustee at future meetings, the Trustee will ask the investment managers to highlight key voting and engagement activity and the impact on the portfolio.

The Trustee does not use the direct services of a proxy voter.

Over the last 12 months, the key voting activity within the equity and DGF mandates were as follows:

Majedie – UK Equity

Majedie see engagement as central to their analysis of a company and ‘a huge opportunity to push a company forward in the right direction’. Over the past year, Majedie had over 2,360 engagements with their holdings, many of which covered ESG related topics. Majedie has actively engaged with companies such as Barclays, Tesco and Ryanair over the period with regards to climate-related issues.

Key information on the votes undertaken over the prior year are summarised below:

- Majedie voted in c. 96% of proposals over the year to 31 March 2021.
- Of Majedie’s total number of votes, c. 96% were votes for the proposal and c.4% were against.
- For climate related issues, Majedie voted against a climate-related shareholder proposal as they noted that Barclays had tabled its own proposal which Majedie’s proxy voting research provider described as similar in substance and approval of both could create legal uncertainty.

LGIM – Passive Global Equity

LGIM engaged with companies over the year under review on a wide range of different issues including governance, environmental impact, climate change, social issues, risk management and strategy.

Key information on the votes undertaken over the prior year on a global firm level are summarised below:

- There have been 3,421 meetings which LGIM voted at across the firm over the year.
- There were a total of 40,987 votable proposals over the period, of which, LGIM participated in c.100% of these.
- Of LGIM’s total number of votes, c.81% were votes for the proposal and c18% were against. The remaining votes were split between withheld votes and abstained votes.
- For ESG related issues on The Procter & Gamble Company (P&G), LGIM voted in favour of the resolution 5 - Report on effort to eliminate deforestation. LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.

Veritas – Global Equity

Veritas has a commitment to evaluate and vote proxy resolutions in the best interests of their clients and engage with companies where they see fit. This includes engagement with management over a range of issues, and views environmental and social risk factors as a key component of the governance of a company.

Veritas recently introduced a policy to encourage greater disclosure of carbon emissions. In order to make greater sense of transition and readiness for a 2-degree world Veritas need all companies to disclose their carbon output and have the disclosure independently verified. Where a company they hold does not disclose, they will engage with management to encourage them to do so.

Key information on the votes undertaken over the prior year are summarised below:

- Over the year to 31 March 2021, there were 469 votable proposals, in which Veritas voted in 100% of these.
- Of the total number of votes, c. 92% were votes for the proposal and c.7% were against. The remaining votes were split between withheld votes and abstained votes.
- For ESG related issues, Veritas voted against a management proposal at Intercontinental Exchange, Inc. as it has failed to disclose data to the CDP and to disclose emissions reduction targets.

Baillie Gifford – Diversified Growth

Baillie Gifford view voting of their clients' holdings is an integral part of their commitment to stewardship. As such, Baillie Gifford have an in-house governance and sustainability team, which oversees voting analysis and execution, whilst utilising proxy advisors for information only. The firm actively engages regularly with management and board members to identify and understand issues and to monitor performance. Over the year to 31 March 2021, Baillie Gifford engaged with companies on a wide range of issues including executive remuneration.

Key information on the votes undertaken over the prior year on a global firm level are summarised below:

- Baillie Gifford voted on c. 96% of 925 resolutions Baillie Gifford were eligible to vote over the year to 31 March 2021.
- Of Baillie Gifford's total number of votes, c. 94% were votes for the proposal and c. 5% were against. The remaining votes were split between withheld votes and abstained votes.
- One example vote was in relation to Gecina, Baillie Gifford opposed three resolutions relating to remuneration as they do not believe there is sufficient alignment between pay and performance.

Going forwards, when investment managers present, the Trustee will be active in reviewing and challenging voting activity.

For and on behalf of 20-20 Trustee Services Limited as Trustee of the Repsol Sinopec Pension and Life Scheme

September 2021