

The Salvation Army Employees' Pension Fund 2022 Implementation Statement

1. Purpose of this Statement

This Statement sets out how, and the extent to which, the Trustees of The Salvation Army Employees' Pension Fund ("the Fund") have implemented the principles set out in the Statement of Investment Principles ("SIP") regarding the exercising of rights attaching to investments and undertaking engagement activities. It has been prepared to comply with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. In accordance with these requirements this Statement is included as part of the Trustees' annual report and accounts and to be made freely available online.

The first part of this Statement provides an overall review of Trustee actions in relation to voting and engagement, then more detail is provided on voting activities.

This Statement considers the scheme year to 31 March 2022.

2. Background

The Fund is a UK defined benefit arrangement, denominated in Sterling. The Fund is closed to new members but allows additional voluntary contributions ("AVC"). The monies representing AVC are managed separately by unit funds with the AVC investment manager and are used to provide money-purchase benefits.

The Investment Advisory Committee of The Salvation Army ("the IAC") is the investment advisor to the Trustees.

The defined benefit investment managers are Sarasin & Partners LLP ("Sarasin") and Legal & General Investment Management ("LGIM").

Sarasin manages the active proportion of the main portfolio via a segregated mandate. Sarasin has been delegated the responsibility for taking ethical considerations into account in relation to investments when assessing the financial potential and suitability of the investments and is required to comply with The Salvation Army's Code of Ethical Practice ("the Code").

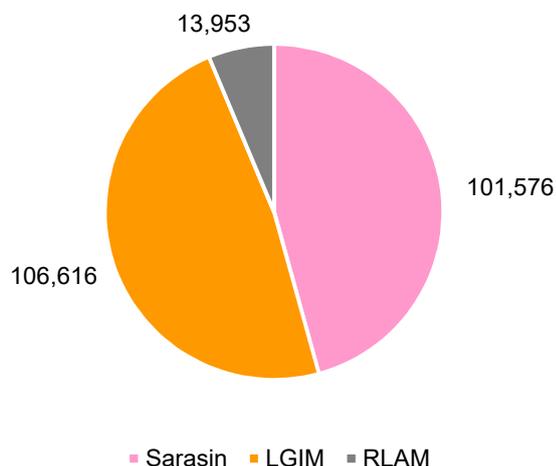
LGIM manages the passive proportion of the main portfolio via investment in pooled funds. FTSE Russell provides LGIM with custom ethical benchmark indices which are designed to comply with the Code.

The AVC section investment manager is Royal London Asset Management Limited ("RLAM"). A range of RLAM pooled funds is offered to members.

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The chart below outlines the asset split between the Fund's asset managers as at 31 March 2022.

EPF Assets as at 31 March 2022 (£'000s)



3. SIP implementation

The following section reviews the implementation of the SIP polices in relation to voting and engagement over the scheme year.

The following assessment criteria were used to demonstrate the level of performance.

- Action completed or objective achieved.
- Action or objective partly achieved.
- Action not completed or objective not achieved.

3.1 Actions

The table below outlines the actions set out in the SIP and how, and the extent to which, these have been completed.

Action	Assessment	Comment
The Trustees will review the exercising of voting rights and carrying out of engagement activities by the investment managers in relation to financially material considerations (including environmental, social and governance risk factors).	●	The 2022 Engagement Activities Report was produced and considered by the Trustees providing a summary of the investment managers' stewardship activities. In addition the investment managers were in regular attendance at Trustees' meetings

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3.2 Objectives

The below table outlines the objectives set out in the SIP and assesses how, and the extent to which, these have been achieved.

Objective	Assessment	Reasoning
The Trustees expect ownership rights (including voting and engagement rights) to be exercised by the investment managers in order to safeguard sustainable returns in the long-term.	●	The 2022 Engagement Activities Report considered the investment managers' voting and engagement behaviour. Relevant extracts from this report are shown in the sections below

4. Voting and engagement activities

The 2022 Engagement Activities Report considered the investment managers' engagement and voting behaviour. A summary of the results of the report is shown below, with extracts from the report shown in the next sections.

Year to 31 March 2022			
Engagement and voting consideration	Sarasin	LGIM	RLAM
Environmental (excluding climate change)	●	●	●
Social	●	●	●
Governance	●	●	●
Climate change	●	●	●

Alignment with Statement of Investment Principles

- Policy and examples satisfactory
- Policy or examples satisfactory, but not both
- Policy and examples unsatisfactory

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5. Sarasin

5.1 Voting policy

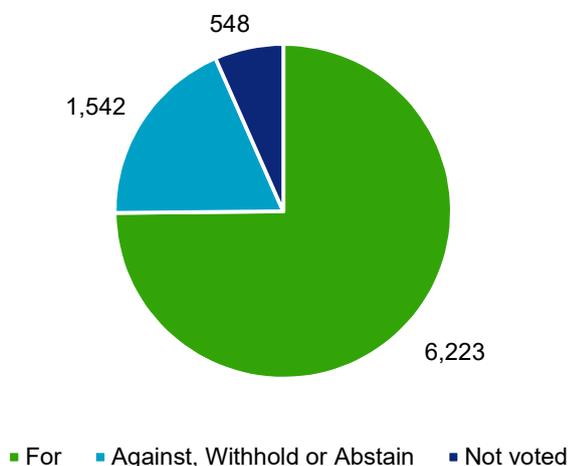
Sarasin bases its corporate governance and voting guidelines on relevant best practice codes and guidelines for the markets in which it is invested. For example, in the UK, Sarasin makes use of the Financial Reporting Council's UK Corporate Governance Code, the UK Stewardship Code, the Investment Association's various guidelines, and the Pensions and Lifetime Savings Association's Corporate Governance Policy and Voting Guidelines. Outside of the UK, its guidelines are informed by other relevant codes and guidelines that are specific to the particular jurisdiction in question.

In November 2021, Sarasin received the ICGN (International Corporate Governance Network) 2021 Global Stewardship Disclosure Award for asset managers with less than £60 billion assets under management. Sarasin was recognized for its excellence and innovation in investor stewardship and related public disclosures.

5.2 Voting activity

The extent of Sarasin's voting activity across all assets under management for calendar year 2021 is shown below.

Number of votable items by type of vote



48 voting instructions were not disclosed by Sarasin. Sarasin do not vote in markets that inhibit its ability to deal.

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5.3 Significant votes cast

The table below outlines significant votes cast over the scheme year.

ESG factor	Company	Summary	Sarasin's voting decision and reasoning
Environment	Moody's Corp	Elect Director	FOR – The company has taken steps forward in tabling a Decarbonisation Plan at its AGM
	Amazon	Report on the impacts of plastic packaging	FOR – Amazon is a substantial user of plastic, and its lack of disclosure and targets to reduce plastic pollution exposes the company to heightened financial and reputational risks
Social	Microsoft Corp	Report on gender/racial pay gap	FOR – Disclosing median gender/racial pay gap figures would aid in the company's duty to promote diversity
	Amazon	Oversee and Report on a Civil Rights, Equity, Diversity and Inclusion audit	FOR – Sarasin believes more analysis is needed to understand the impacts of AI and machine learning algorithms on societies
Governance	Alstom	Approve remuneration policy of chairman and CEO	FOR – Sarasin would typically vote against executive remuneration when the shareholding requirement is below 400% of salary, there is no clawback policy, or there is no post-departure shareholding requirement. However, Sarasin has been engaging with the company on several ESG matters and feel that its vote is justified this year
	Medtronic plc	Approval of Pricewaterhouse-Coopers LLP as Auditors	AGAINST – The company's auditor has served for 58 years. Sarasin believe this is too long and would hamper the auditor's independence

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6. LGIM

6.1 Voting policy

LGIM's "approach to corporate governance and responsible investment" document states that LGIM aims to minimise abstentions, and only abstain if it is technically not possible for it to cast its vote in any other way. LGIM confirmed that it votes in one direction across all its holdings so it can ensure its size and scale makes a difference.

LGIM's 2021 ESG Impact Reports show that LGIM voted on 67,570 resolutions in total (across all assets under management) during 2021, with 64% of votes occurring in Q2, during which voting against management occurred at least once for 78% of companies.

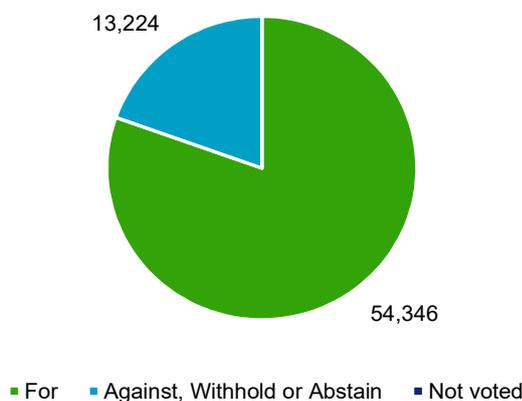
LGIM also reported that remuneration and climate change were the topics on which it engaged with the most in 2021. It was ranked eighteenth out of 65 investment managers for its ESG voting practices in ShareAction's "Voting Matters 2021" report.

In November 2021, LGIM received the ICGN 2021 Global Stewardship Disclosure Award for asset managers with over £60 billion assets under management. LGIM was recognized for its excellence and innovation in investor stewardship and related public disclosures.

6.2 Voting activity

The extent of LGIM's voting activity across all assets under management for calendar year 2021 is shown below.

Number of votable items by type of vote



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6.3 Significant votes cast

The table below outlines significant votes cast over the scheme year.

ESG factor	Company	Summary	LGIM's voting decision and reasoning
Environment	HSBC	Disclose and implement short- and medium-term climate change targets	FOR – LGIM considers climate change to be a key risk for financial institutions
	ExxonMobil Corporation	Election of four activist-proposed director nominees	FOR – Unsatisfied with company's climate targets and strategy
Social	Rio Tinto plc	Approve remuneration report	AGAINST – As mining projects in Australia require a social licence to operate, LGIM believe that a reduction in the exit package awarded to the outgoing CEO following the destruction of the heritage site would have been appropriate
	McDonald's Corporation	Request a report on Antibiotics and Public Health Costs	FOR – LGIM believes without coordinated action today antimicrobial resistance could prompt the next global health crisis
Governance	Volkswagen AG	Discharge of management board and supervisory board members	AGAINST – Concern over company's handling of the diesel emissions scandal of 2015 and its overall governance structure
	Microsoft	Re-election of CEO	AGAINST – re-combination of CEO and chair roles, giving rise to concerns over board effectiveness

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7. RLAM

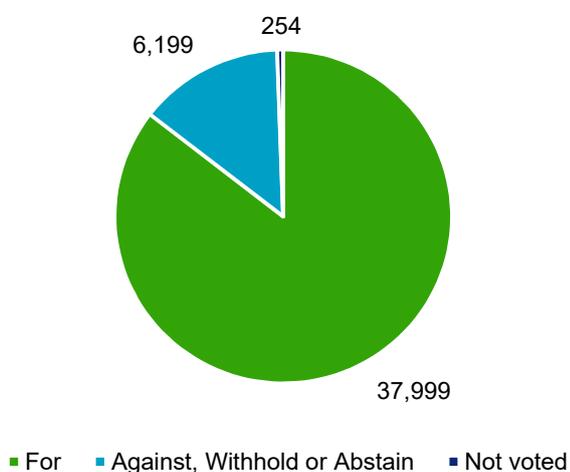
7.1 Voting policy

RLAM's "Stewardship and responsible investment 2022 report" states that it attempts to make use of its voting rights to promote good corporate governance in investee companies.

7.2 Voting activity

The extent of RLAM's voting activity for all actively held stock across all assets under management for calendar year 2021 is shown below.

Number of votable items by type of vote



RLAM endeavours to vote at all meetings other than in markets where voting would result in shareblocking.

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7.3 Significant votes cast

The table below outlines significant votes cast over the scheme year.

ESG factor	Company	Summary	RLAM's Voting decision and reasoning
Environment	Royal Dutch Shell	Approval of the Energy Transition Strategy	ABSTAIN – Concern around the plan's reliance on carbon offsetting in its long term efforts to reach net zero across its own operations and the emissions from the products which it sells
	BP plc	Shareholder proposal regarding GHG reduction targets	ABSTAIN – RLAM appreciates the aims of the proponent but BP already have a plan that covers much of it. RLAM believes that BP's time is best devoted to implementing its existing plan
Social	Microsoft Corp	Shareholder proposal regarding report on effectiveness of workplace sexual harassment policies	FOR – RLAM recognised the company's plan to begin reporting on its implementation of sexual harassment and gender discrimination policies soon but supported the proponent's request to see increased disclosure in this area
	Vistry Group plc	Re-election of Chairman of Nominating Committee	AGAINST – RLAM has concerns over the lack of diversity on the company's board. After abstaining the previous year RLAM decided to modify its vote. It noted that the company had plans to review guidelines by the end of 2021 but would have preferred more immediate action on the issue
Governance	Microsoft Corp	Ratification of Auditor	AGAINST – Concerns over the independence of the auditors given the length of tenure
	Texas Instruments Inc.	Re-election of combined Chairman and CEO	AGAINST – RLAM would prefer to see the roles separated

8. Proxy voting services

Sarasin makes use of International Shareholders Services (ISS) as its main provider for research on general meetings and proxy voting services.

LGIM have indicated that given the scale of its holdings, it cannot be physically present at every company shareholder meeting to cast votes. Instead, LGIM votes by proxy, implementing its own custom policies through the Institutional Shareholder Services (ISS) voting platform "ProxyExchange".

RLAM uses Glass Lewis' Viewpoint as a voting platform to execute its proxy votes. However, RLAM will use its own voting policy to make the final voting decisions.