

# *Implementation Statement, covering the Scheme Year from 6 April 2022 to 5 April 2023*

The Trustee of the Peel Ports Final Salary Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

## **1. Introduction**

No changes were made to the voting and engagement policies in the SIP during the Fund Year.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

## **2. Voting and engagement**

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The managers’ voting policies can be found using the following links:

- LGIM: [LGIM Vote Disclosures \(issgovernance.com\)](#)

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In December 2022, the Trustee received training from LCP on understanding the DWP’s stewardship guidance and discuss setting stewardship priorities. After discussion the Trustee agreed to select the following stewardship priorities for the Scheme: Climate change; Diversity, Equity & Inclusion; and Remuneration and communicated these stewardship priorities to LGIM.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

## **3. Description of voting behaviour during the Scheme Year**

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers’ voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee’s expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP’s guidance, on the Scheme’s funds that hold equities as follows:

- LGIM Global Equity Fixed Weights (60:40) Index Fund; and
- LGIM World Emerging Markets Equity Index Fund.

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

The Scheme appointed and invested in the LGIM All World Equity Index Fund on 27 March 2023, however, we have omitted voting data for this fund on materiality grounds.

### **3.1 Description of the voting processes**

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. It also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis.

### **3.2 Summary of voting behaviour over the Scheme Year**

A summary of voting behaviour over the Scheme Year is provided in the table below. Please note that the Scheme fully disinvested from the funds on 27 March 2023, however, LGIM doesn't provide voting data for part-periods so the data in the table below covers the year to 31 March 2023.

	LGIM Global Equity Fixed Weights (60:40) Index Fund	LGIM World Emerging Markets Equity Index Fund
Total size of fund at end of the Scheme Year	£1.1bn (standard fund) / £80m (GBP hedged)	£4.4bn
Value of Scheme assets at end of the Scheme Year	- <i>(The Scheme disinvested from the fund in March 2023)</i>	- <i>(The Scheme disinvested from the fund in March 2023)</i>
Number of equity holdings at end of the Scheme Year	3,435	1,679
Number of meetings eligible to vote	3,197	4,231
Number of resolutions eligible to vote	41,099	36,506
% of resolutions voted	99.8%	99.9%
Of the resolutions on which voted, % voted with management	81.9%	79.5%
Of the resolutions on which voted, % voted against management	18.0%	18.4%
Of the resolutions on which voted, % abstained from voting	0.1%	2.1%
Of the meetings in which the manager voted, % with at least one vote against management	70.1%	53.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.2%	6.8%

### 3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in future.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria<sup>1</sup> for creating this shortlist.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's chosen stewardship priorities: Climate change; Diversity, Equity & Inclusion; and Remuneration.

The Trustee has reported on two of these significant votes per fund as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

#### LGIM – Global Equity Fixed Weights (60:40) Index Fund

##### Royal Dutch Shell Plc (May 2022)

- **Relevant stewardship priority:** Climate change
- **Vote cast:** Against

<sup>1</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- **Outcome of the vote:** For
- **Management recommendation:** Against
- **Summary of resolution:** Approve the Shell Energy Transition Progress Update
- **Rational for the voting decision:** LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, it remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
- **Approximate size of mandates holding at date of vote:** 4%

#### Twitter, Inc. (September 2022)

- **Relevant stewardship priority:** Remuneration
- **Vote cast:** Against
- **Outcome of the vote:** 95%
- **Management recommendation:** For
- **Summary of resolution:** Advisory Vote on Golden Parachutes
- **Rational for the voting decision:** A vote against was applied as LGIM does not support the use of golden parachutes. As a long-term and engaged investor, we entrust the board to ensure executive directors' pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business, where this is not the case we will use our vote.
- **Approximate size of mandates holding at date of vote:** 0.1%

#### LGIM – World Emerging Markets Equity Index Fund

##### Meituan (May 2022)

- **Relevant stewardship priority:** Diversity, equity and inclusion
- **Vote cast:** Against
- **Outcome of the vote:** 92%
- **Management recommendation:** For
- **Summary of resolution:** Elect Wang Xing as Director
- **Rational for the voting decision:** A vote against is applied as LGIM expects a company to have at least one female on the board. Additionally, LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. A vote against the election of Xing Wang is warranted given that its failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on their ability to fulfill fiduciary duties in the company.
- **Approximate size of mandates holding at date of vote:** 1%

##### China Construction Bank Corporation (June 2022)

- **Relevant stewardship priority:** Climate change
- **Vote cast:** Against
- **Outcome of the vote:** For

- **Management recommendation:** For
- **Summary of resolution:** Elect Graeme Wheeler as Director
- **Rational for the voting decision:** A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.
- **Approximate size of mandates holding at date of vote:** 1%