

# PEEL PORTS FINAL SALARY PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 5 APRIL 2022

### Engagement Policy Implementation Statement ('EPIS')

The Trustee of the Peel Ports Final Salary Pension Scheme (the 'Scheme') is required to produce an annual 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 behavior 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.

#### 1. Introduction – Last review of the voting and engagement policies

The voting and engagement policies in the SIP were most recently reviewed and updated in September 2020. The SIP update took account of the Trustee's policy on financially material considerations, non-financial factors and engagement activities, with the amendments reflecting the Trustee's approach to regulatory changes that came into force with effect from 1 October 2019. No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme's existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

#### 2. Voting and engagement

The Trustee receives quarterly performance monitoring reports from the Scheme's investment adviser, LCP, which include any notable updates on the funds and investment managers held by the Scheme. Summaries of recent meetings that LCP have held with any of the managers and funds used by the Scheme are also included.

In addition, the Trustee received a report in June 2021 summarising LCP's views on the Scheme's investment managers' responsible investment policies. In March 2022, LCP prepared a report which included an overview of LCP's 2022 Responsible Investment Survey results and specific scoring for each of the Scheme's investment managers.

LCP's manager research process includes qualitative responsible investment ('RI') assessments as well as quantitative scoring of each fund. These scores take account of the manager's approach to environmental, social and governance ('ESG') issues, voting and engagement. These scores directly affect LCP's fund recommendations and the detailed information gained in ongoing research allows LCP to ensure that the Trustee is kept up to date with any important developments impacting the managers or funds used by the Scheme.

The Trustee decided no changes were needed during the Scheme Year to the funds or managers used by the Scheme on the basis of the commentary provided by LCP in its quarterly performance monitoring reports.

#### 3. Description of voting behavior during the 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 year.

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

- Legal & General Investment Management Global Equity 60:40 Index Fund;
- Legal & General Investment Management Global Equity 60:40 Hedged Index Fund; and
- Legal & General Investment Management World Emerging Markets Equity Index Fund.

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We have omitted the JP Morgan Multi-Strategy Fund and BlackRock Tempus Fund due to data availability, materiality grounds, and because the Trustee has taken the decision to redeem these holdings, which are all currently winding down.

In addition to the above, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. All of these managers, confirmed that there were no voting opportunities for their funds over the period.

#### 3.1 Description of Legal and General's voting processes

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

All decisions are made by Legal & General's Investment Stewardship team and in accordance with 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.

Legal & General's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by Legal & General. 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.

Every year, Legal & General holds a stakeholder roundtable event where its 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 in continuing to develop voting and engagement policies and define strategic priorities in the years ahead. Legal & General also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

Legal & General publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Legal & General has its own internal Risk Management System ('RMS') to provide effective oversight of key processes, including its voting activities and related client reporting. On a weekly basis, senior members of the Investment Stewardship team confirm on Legal & General'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.

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#### Engagement Policy Implementation Statement ('EPIS') (continued)

#### 3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3
Manager name	Legal & General Investment Management	Legal & General Investment Management	Legal & General Investment Management
Fund name	Global Equity Fixed Weights (60:40) Index Fund	Global Equity Fixed Weights (60:40) Index Fund (GBP hedged)	World Emerging Markets Equity Index Fund
Approximate value of Scheme assets	£11.6m	£27.4m	£17.3m
Number of meetings eligible to vote	3,175	3,175	4,087
Number of resolutions eligible to vote	39,493	39,493	34,237
% of resolutions voted	99.88%	99.88%	99.80%
% of resolutions voted with management	82.85%	82.85%	81.11%
% of resolutions voted against management	16.95%	16.95%	16.71%
% of resolutions abstained	0.20%	0.20%	2.18%
% of meetings with at least one vote against management	69.45%	69.45%	49.35%

#### 3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below. Legal & General provided multiple examples of their significant votes over the Scheme Year. We have listed three examples where Legal & General voted against management and included its significance and rationale for doing so.

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#### Significant votes over the Scheme year

##### **3.3.1 Legal and General Investment Management (L&G) - Global Equity Fixed Weights (60:40) Index Fund and World Emerging Markets Equity Index Fund**

- 1) Alibaba Group Holding Limited, September 2021: election of Director Joseph C. Tsai. Vote: against (against management). Outcome of the vote: For

Legal & General has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, Legal & General has voted against all combined board chair/CEO roles.

*L&G deemed this vote significant as it was an application of an escalation of its voting policy on the topic of the combination of the board chair and CEO.*

- 2) Industrial & Commercial Bank of China Limited, June 2021: approve Work Report of the Board of Directors. Vote: against (against management). Outcome of the vote: For

The company was deemed to not be meeting minimum standards with regards to climate risk management and disclosure.

*L&G deemed this vote to be significant as it is relevant to Legal & General's Climate Impact Pledge, its flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.*

- 3) Informa Plc, June 2021: re-elect Stephen Davidson, Mary McDowell and Helen Owers as Directors, approve remuneration report. Vote: against all resolutions (against management). Outcome of the vote: for re-elections of Directors, against remuneration report.

Due to consistent problems with the implementation of the company's Remuneration Policy, Legal & General has been voting against the Chair of the Remuneration Committee for the prior three years. Given the company had implemented plans that received significant dissent from shareholders without addressing persistent concerns, Legal & General took the decision to escalate its vote further to all incumbent Remuneration Committee members, including Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.

*L&G deemed this vote significant as it took the rare step of publicly pre-declaring its voting position before the shareholder meeting. Legal & General believes publicly pre-declaring a vote intention is an important tool for its engagement activities.*

#### **3.4 Votes in relation to assets other than listed equity**

The following comments were provided by the Scheme's asset managers who do not hold listed equities, but invest in assets that had voting opportunities during the period.

##### **3.4.1 M&G – Alpha Opportunities Fund**

The policy for M&G's Alpha Opportunities Fund is to not consult fund investors before voting. Voting is decided by the relevant credit analyst, in conjunction with the fund manager. ISS and Broadridge, proxy advisory firms, are sometimes used by the fund when voting. Two examples of significant votes taken by M&G in this fund over the Scheme Year are detailed below.

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##### 3.4.1 M&G – Alpha Opportunities Fund (continued)

- 1) Greene King Plc, April 2021: covenant waiver requests related to the impact of the closure of pubs in the UK. Vote: for (with management). Outcome of the vote: for.

M&G granted the requests for covenant relief because it believed that failure to approve the requests would have led to an event of default. M&G felt that the requests were a proportionate response to the issues and, as a result, it supported the proposals.

- 2) Intu Metrocentre Finance Plc, February 2022: request to extend the forbearance period and extension of the HMRC clearance deadline. Vote: for (with management) Outcome of the vote: for.

M&G voted in favour of an extension to the current forbearance period that was due to expire on 28 February 2022, to 31 May 2022. In addition, to avoid any unintended adverse tax consequences, it voted in favour of a request to extend the HMRC clearance deadline required for the enhanced wording around the make-whole provision, until 31 May 2022.

#### Employer related investments

As at 31 March 2022, there were no employer-related investments within the meaning of section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.