

Ralph Trustees Limited Pension Scheme – Implementation Statement 2021/22

1. Introduction

This document reviews the extent to which the Trustees of the Ralph Trustees Limited Pension Scheme (the “Scheme”), have adhered to the policies and procedures on the exercise of rights (including voting) and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated December 2021. This was the SIP in place at the Scheme’s year-end date, 5 April 2022.

This Statement has been prepared by the Trustees with the assistance of its appointed Investment Consultant (Quantum Advisory). References herein to the actions, review work or determinations of the Trustees refers to activity that has been carried out either by the Trustees or their Investment Consultant on behalf of the Trustees.

2. Executive summary

Over the Scheme year, the Trustees:

- Reviewed and amended the Scheme’s investment strategy to decrease the Scheme’s funding level volatility and reduce complexity.
- Purchased holdings in the LGIM World Equity Index – GBP Hedged Fund, LGIM Dynamic Diversified Fund, Insight Partially Funded Gilt/Index-Linked Gilts Fund range and LGIM Sterling Liquidity Fund as part of the review.
- Updated the Scheme’s SIP in December 2021 to reflect these changes to the investment strategy, investment managers and funds.
- Reviewed the voting eligibility and activity of those funds held at the end of the Scheme year which invest in equities. The Trustees are generally satisfied that their investment managers have appropriately carried out their stewardship duties. The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees feel there is less scope to influence the practices of these issuers.

3. Policies

Trustees voting and stewardship policies

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Scheme’s investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring the existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the stewardship of their

investments. The Trustees periodically consider publicly available stewardship related publications pertaining to the incumbent investment manager.

As part of this exercise, the Trustees reviewed the voting activity of funds where there is ability to influence positive practices (namely those that invest in equities). The following funds have been reviewed (both were purchased during the Scheme year):

- LGIM World Equity Index – GBP Hedged Fund
- LGIM Dynamic Diversified Fund

LGIM's voting policies and procedures are outlined in Appendix 1 of this report.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year. The Trustees are satisfied with the level of voting activity that has been undertaken.

Statistic / Fund	LGIM World Equity Index – GBP Hedged	LGIM Dynamic Diversified
Number of equity holdings	2,601	6,747
Meetings eligible to vote at	3,079	7,193
Resolutions eligible to vote on	36,675	71,658
Proportion of eligible resolutions voted on (%)	100	100
Votes with management (%)	80	80
Votes against management (%)	19	19
Votes abstained from (%)	1	1
Meetings where at least one vote was against management (%)	73	65
Votes contrary to the recommendation of the proxy adviser (%)	13	11

Totals may not sum due to rounding. Source: LGIM. ¹ LGIM only provide information on a quarterly basis and therefore the statistics shown are over the year to 31 March 2022.

Significant votes

The Trustees reviewed the significant votes cast by LGIM and are generally satisfied with their voting behaviour.

A cross section of the most significant votes cast is contained in Appendix 2.

4. Conflicts of interest

This section provides information on whether the managers are affected by the following conflicts of interest.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients.

LGIM have not directly commented on which of the above conflicts of interest they are affected by. The Trustees have requested a copy of the conflicts of interest policy from LGIM and will request sight of this document and details of any relevant conflicts of interest annually from LGIM.

Appendix 1 – Investment manager voting policies and procedures

LGIM

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's 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 process is designed to ensure LGIM's engagement is fully integrated into the voting process, thus sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's 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 are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by LGIM for the funds under consideration.

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”) consultation. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

LGIM World Equity Index – GBP Hedged

Company Name	Apple Inc	Microsoft Corporation
Date of Vote	March 2022	November 2021
Summary of the resolution	Report on Civil Rights Audit	Elect Director Satya Nadella
How the firm voted	For	Against
On which criteria has the vote been deemed as ‘significant?’	LGIM views diversity and inclusion as a financially material issue for their clients, with implications for the assets they manage on their behalf.	The vote linked was linked to an LGIM engagement campaign, where LGIM expects companies to separate the role of CEO and Chair due to risk management and oversight.
Outcome of the vote	54% in favour	The vote passed. (95% in favour)

Source: LGIM.

LGIM Dynamic Diversified

Company Name	Amazon.com Inc	Recruit Holdings Co. Ltd
Date of Vote	May 2021	June 2021
Summary of the resolution	Elect Director Jeffrey P. Bezos	Amend Articles to Allow Virtual Only Shareholder Meetings
How the firm voted	Against	Against

On which criteria has the vote been deemed as 'significant'?	LGIM considers this vote to be significant as it is in application of their escalation of vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	This was a high-profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.
Outcome of the vote	95% in favour	84% in favour

Source: LGIM.