

# Ralph Trustees Limited Pension Scheme – Implementation Statement 2022/23

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Scheme's Statement of Investment Principles ("SIP") have been complied with during the year ended 5 April 2023. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Scheme's investments. In addition, this statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

Under the regulation now in force, Trustees of Occupational Pension Schemes are required to state their policy on the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments. Trustees are also required to report on how and the extent to which they have followed this policy on significant votes.

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustees with the assistance of their Investment Consultant (Quantum Advisory).

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees or the Investment Consultant on the Trustees' behalf.

## 3. 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 protect the funding level gains experienced. This involved two separate de-risking exercises in November 2022 and March 2023.
- Are of the opinion that they have adhered to the relevant policies and procedures as identified in the SIP.
- Through their Investment Consultant, reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Scheme's investment managers have appropriately carried out their stewardship duties. It should be noted that the funds that do not hold equities have not been reviewed, as these have fewer (if any) voting opportunities.
- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Consultant to aid ongoing compliance.

Further details on each of these matters is presented in the pages that follow.

#### 4. Reviews of the SIP over the Scheme year

The SIP was last reviewed and updated in December 2022. Furthermore, the Trustees are currently in the process of reviewing and updating the SIP to reflect changes to the investments that were carried out just prior to the year-end. The Trustees will seek advice from the Investment Consultant on the SIP.

#### 5. **Trustee's policies** and investment **manager's voting and** stewardship 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 also note that the investment strategy and decisions of the fund manager cannot be tailored to the Trustees' policies and the manager is not remunerated directly on this basis.

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

##### **Manager's voting and stewardship policies and procedures**

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed. The Trustees are satisfied with the voting and policies/procedures of the investment managers. The Trustees plan to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and will aim to review whether or not the investment managers' stewardship priorities are aligned with these.

## 6. Voting eligibility and activity

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	3,309	6,854
Meetings eligible to vote at	3,145	9,541
Resolutions eligible to vote on	38,823	99,647
Proportion of eligible resolutions voted on (%)	99.9	99.9
Votes with management (%)	78.8	77.6
Votes against management (%)	20.5	21.7
Votes abstained from (%)	0.7	0.7
Meetings where at least one vote was against management (%)	75.6	72.5
Votes contrary to the recommendation of the proxy adviser (%)	14.4	12.6

Totals may not sum due to rounding. Source: LGIM. <sup>1</sup> LGIM only provide information on a quarterly basis and therefore the statistics shown are over the year to 31 March 2023.

### 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 1.

## 7. 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 refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. In place of providing a direct response, LGIM referred the Trustee to its conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

## 8. Appendix 1 – LGIM’s stewardship and voting policies

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. Votes in respect of the largest holdings in each of the funds have been disclosed in this section.

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- 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	Amazon.com Inc.	Alphabet Inc
<b>Date of Vote</b>	May 2022	June 2022
<b>Summary of the resolution</b>	Elect Director	Report on Physical Risks of Climate Change
<b>Stewardship priority</b>	Governance	Environmental
<b>Size of the holding (% of portfolio)</b>	1.8	1.1
<b>How the firm voted</b>	Against	For
<b>Was the vote against management and was this communicated beforehand?</b>	Yes, all votes against management are publicly listed on LGIM’s website.	Yes, all votes against management are publicly listed on LGIM’s website.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.
<b>Outcome of the vote</b>	The vote passed.	The vote did not pass.
<b>Does the trustee/ asset manager intend</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on this	LGIM will continue to engage with their investee companies, publicly advocate

<b>to escalate stewardship efforts?</b>	issue and monitor company and market-level progress.	their position on this issue and monitor company and market-level progress.
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Source: LGIM.

### LGIM Dynamic Diversified

<b>Company Name</b>	<b>Royal Dutch Shell Plc</b>	<b>Prologis Inc.</b>
<b>Date of Vote</b>	May 2022	May 2022
<b>Summary of the resolution</b>	Approve the Shell Energy Transition Progress Update	Elect Director
<b>Stewardship priority</b>	Environmental	Governance
<b>Size of the holding (% of portfolio)</b>	0.3	0.3
<b>How the firm voted</b>	<p>Against</p> <p>A vote against is applied, though not without reservations. LGIM acknowledge 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. LGIM remain 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.</p>	<p>Against</p> <p>A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>
<b>Was the vote against management and was this communicated beforehand?</b>	No.	Yes, all votes against management are publicly listed on LGIM's website.
<b>On which criteria has the vote been deemed as 'significant'?</b>	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

	plans to be subject to a shareholder vote.	
<b>Outcome of the vote</b>	The vote passed.	The vote passed.
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM.