

# LEE BEESLEY DERITEND PENSION SCHEME

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2023

### Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 5 April 2023. This statement has been produced in accordance with The Pension Protection Plan (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

### Trustee Investment Objective

The Trustee believe it is important to consider the policies in place in the context of the investment objectives it has set.

As set out in the SIP, the Trustee primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The Trustee also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

### Investment Strategy

The investment strategy of the Scheme as at 5 April 2022 was split 32% Diversified Growth, 10% Equity, 10% Multi Asset Credit, 6% Property (split 3% Pooled Property Fund / 3% Freehold Property), 7% Real LDI, 13% Nominal LDI and 22% Equity-Linked Gilts.

### Statement of Investment Principles

The Scheme’s SIP was last updated in September 2020. The Scheme’s SIP is in the process of being reviewed. The changes made to the Statement reflected the regulatory requirements that were introduced aimed at strengthening Trustee’s investment duties in relation to ESG and stewardship and arrangements with their investment Managers.

### Policy on ESG, Stewardship and Climate Change

The Trustee understands that they must consider all factors that have the potential to impact upon the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

There were no updates to the Scheme’s SIP over the year ending 5 April 2023 and the SIP dated September 2020 which applied over the Scheme Year.

The Scheme's SIP includes the Trustee's policies on ESG factors, stewardship and Climate Change.

The policies were last reviewed in September 2020. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

### **Scheme's Investment Structure**

The Scheme's only investment (excluding the Freehold Property) is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

As such, the Trustee has no direct relationship with the Scheme's underlying investments managers, but have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

### **Trustee Engagement**

In the relevant year, the Trustee has not engaged with Mobius or the underlying pooled investment managers on matters pertaining to ESG, stewardship or climate change.

Investment performance reports are provided to the Trustee from Mercer on a quarterly basis and include ESG specific ratings (derived by Mercer). This enables the Trustee to determine whether further action should be taken in respect of specific funds. The Trustee is satisfied that Mercer's ESG scores for the Fund's managers are satisfactory.

The Trustee continues to work with Mercer, to consider actions that can be taken to engage with their investment managers going forward.

Information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/intm/about-us/responsible-investment/>

Pictet:

<https://www.pictet.com/uk/en/responsible-vision/responsible-investing>

Ninety One:

<https://ninetyone.com/en/united-kingdom/sustainability>

Legal & General:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf)

All the Scheme's investment managers are signatories of the UK Stewardship Code as follows:

Manager	Signatory since
Columbia Threadneedle	2022
Pictet	2022
Ninety One	2021
Legal & General	2021

Source: FRC website

Taking all the above into consideration, the Trustee is satisfied that Responsible Investment is central to the investment managers' approaches to investing.

### Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

Over the Scheme year, the Trustee has not been asked to vote on any specific matters and have therefore not cast any votes.

The DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustee is to include details on why a vote is considered significant and rationale for voting decision.

The Trustee has identified that climate change, human rights and diversity, equity and inclusion are their most important stewardship priorities. The significant votes shown in this statement relate to this.

Appendix 1 sets out a summary of the key voting activity over the financial year of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. The Trustee have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

The Appendix shows those significant votes supplied by the investment manager which the Trustee determine to be a significant vote – ie those that are in relation to climate change, human rights and diversity, equity and inclusion. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.25% or more of the diversified growth funds and 0.50% or more for the L&G Life KY World Equity Index Fund.

The Trustee note that best practice in developing a statement on voting and engagement activity is evolving and we will continue to take on board industry activity in this area before the production of next year's' statement.

#### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2023**

The Trustee is satisfied that the Engagement Policies set out in the SIP, which have been in place over the year has been followed.

## Appendix 1 – Voting Activity

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes
		Votes in total	Votes against management endorsement	Abstentions		
Columbia Threadneedle Multi Asset Fund	ISS – to take recommendations and vote via ISS.	5,830 resolutions eligible for (100% cast)	7.9% of votes cast	2.1% of votes cast	Significant votes are dissenting votes, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not supported by management.	<b>Alphabet Inc</b> <b>Shareholder Resolution -</b> Report on Climate Lobbying <b>Date of vote:</b> 1 June 2022 <b>Size of holding:</b> 0.32% of portfolio <b>Voting:</b> For Resolution <b>Manager Rationale:</b> “Supporting better ESG risk management disclosures.” <b>Was this communicated to company ahead of vote:</b> No <b>Vote Outcome:</b> Resolution failed <b>Next steps:</b> Active stewardship (engagement and voting) continues to form an integral part of CT’s research and investment process.
	Glass Lewis & Co. – recommendations only.					<b>Alphabet Inc</b> <b>Shareholder Resolution -</b> Report on Metrics and Efforts to Reduce Water Related Risk <b>Date of vote:</b> 1 June 2022 <b>Size of holding:</b> 0.32% of portfolio <b>Voting:</b> For Resolution <b>Manager Rationale:</b> “Supporting better ESG risk management disclosures.”
	IVIS – recommendations only.					

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**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution failed

**Next steps:** Active stewardship (engagement and voting) continues to form an integral part of CT's research and investment process.

**Amazon.com, Inc.**

**Shareholder Resolution -** Report on Lobbying Payments and Policy

**Date of vote:** 25 May 2022

**Size of holding:** 0.56% of portfolio

**Voting:** For Resolution

**Manager Rationale:** "Supporting better ESG risk management disclosures."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution failed

**Next steps:** Active stewardship (engagement and voting) continues to form an integral part of CT's research and investment process.

**Amazon.com, Inc.**

**Shareholder Resolution -** Commission Third Party Report Assessing Company's Human Rights Due Diligence Process

**Date of vote:** 25 May 2022

**Size of holding:** 0.56% of portfolio

**Voting:** For Resolution

**Manager Rationale:** "Supporting better ESG risk management disclosures."

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**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution failed

**Next steps:** Active stewardship (engagement and voting) continues to form an integral part of CT's research and investment process.

**Amazon.com, Inc.**

**Shareholder Resolution -** Report on Protecting the Rights of Freedom of Association and Collective Bargaining

**Date of vote:** 25 May 2022

**Size of holding:** 0.56% of portfolio

**Voting:** For Resolution

**Manager Rationale:** "Supporting better ESG risk management disclosures."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution failed

**Next steps:** Active stewardship (engagement and voting) continues to form an integral part of CT's research and investment process.

**Pictet Multi Asset Portfolio**

**ISS -** for voting execution and recommendations

419 eligible for (100% cast)

11% of votes cast

0% of votes cast

A vote is significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.

**Glencore**

**Shareholder Resolution -** Approve Climate Progress Report

**Date of vote:** 28 April 2022

**Size of holding:** 0.28% of portfolio

**Voting:** Against Management

**Manager Rationale:** "A vote AGAINST the Climate Progress Report is warranted"

because: - There are concerns over the Company's activities around thermal coal, which accounts for the majority of its Scope 3 emissions. - Further, the Company's lobbying would appear to run counter to the Paris goals, as highlighted by Glencore having been identified as one of the ten most obstructive companies in terms of global climate policy action."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Approved

**Next steps:** Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.

### **Rio Tinto**

**Shareholder Resolution -** Approve Climate Action Plan

**Date of vote:** 8 April 2022

**Size of holding:** 0.37% of portfolio

**Voting:** Against Management

**Manager Rationale:** A vote AGAINST this item is warranted. Considering announced increased productions and new production sites, the partial disclosure, and the absence of clear absolute scope 3 reduction targets do not allow proper assessment as to whether the company's plan is robust enough to be in line with its Net Zero ambition by 2050 in line with Paris goal. Additionally, the company has

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acknowledged that its current targets are not science-based.

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Approved

**Next steps:** Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.

<b>Ninety One Diversified Growth</b>	<b>ISS</b> – to produce custom research reports. Reports include vote recommendations (not instructions).	974 resolutions eligible for (100% cast)	7.5% of votes cast	0.4% of votes cast	Ninety One describes these as votes with significant client, media or political interest, material holdings, those of a thematic nature (i.e., climate change) and significant corporate transactions that have a material impact on future company performance.	<p><b>KLA Corporation</b></p> <p><b>Shareholder Resolution -</b> Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal</p> <p><b>Date of vote:</b> 2 November 2022</p> <p><b>Size of holding:</b> 0.50%</p> <p><b>Voting:</b> For</p> <p><b>Manager Rationale:</b> “A vote FOR this proposal is warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.”</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution Failed</p>
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**Microsoft Corporation**

**Shareholder Resolution -** Report on Cost/Benefit Analysis of Diversity and Inclusion

**Date of vote:** 13 December 2022

**Size of holding:** 1.10%

**Voting:** Against

**Manager Rationale:** "A vote AGAINST this proposal is warranted, as it is not standard industry practice for a company to disclose a detailed cost-benefit analysis of its diversity and inclusion efforts, and Microsoft already provides shareholders with sufficient information to assess its diversity and inclusion efforts."

**Was this communicated to company ahead of vote:** Aligned to management

**Vote Outcome:** Resolution Failed

**Microsoft Corporation**

**Shareholder Resolution -** Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk

**Date of vote:** 13 December 2022

**Size of holding:** 1.10%

**Voting:** Against

**Manager Rationale:** "The company offers an option to employees that want to invest more responsibly, and the Department of Labor is finalizing rules on how ESG factors should be considered by fiduciaries."

**Was this communicated to company ahead of vote:** Aligned to management

**Vote Outcome:** Resolution Failed

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**NextEra Energy, Inc.**

**Shareholder Resolution -** Disclose a Board Diversity and Qualifications Matrix

**Date of vote:** 19 May 2022

**Size of holding:** 2.17%

**Voting:** Against

**Manager Rationale:** "The company recently enhanced its disclosure on board diversity and relevant qualifications, and it appears to meet or exceed peer reporting on the topic."

**Was this communicated to company ahead of vote:** Aligned to management

**Vote Outcome:** Resolution Failed

**NextEra Energy, Inc.**

**Shareholder Resolution -** Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics

**Date of vote:** 19 May 2022

**Size of holding:** 2.17%

**Voting:** For

**Manager Rationale:** "A vote FOR this proposal is warranted, as additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Withdrawn

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						<p><b>Waste Management, Inc.</b></p> <p><b>Shareholder Resolution -</b> Report on Civil Rights Audit</p> <p><b>Date of vote:</b> 10 May 2022</p> <p><b>Size of holding:</b> 2.17%</p> <p><b>Voting:</b> For</p> <p><b>Manager Rationale:</b> “A vote FOR this resolution is warranted, as a report on an independent audit analyzing the adverse impacts of the company s business practices on the civil rights of its stakeholders would allow shareholders to better understand how the company is managing related risks.”</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution Approved</p>
<p><b>L&amp;G Life KY World Equity Index Fund — GBP Currency Hedged</b></p>	<p><b>IVIS</b> – for research purposes.</p> <p><b>ISS</b> – for research purposes.</p>	<p>38,823 resolutions eligible for (99.9% cast)</p>	<p>20.5% of votes cast</p>	<p>0.7% of votes cast</p>	<p>Significant votes are determined using the PLSA criteria, these include but is not limited to votes of high profile where there is a degree of controversy, there is significant client interest or the vote is linked to an LGIM engagement campaign.</p>	<p><b>Amazon.com, Inc.</b></p> <p><b>Shareholder Resolution -</b> Elect Director Daniel P. Huttenlocher</p> <p><b>Date of vote:</b> 25 May 2022</p> <p><b>Size of holding:</b> 1.83% of portfolio</p> <p><b>Voting:</b> Against</p> <p><b>Manager Rationale:</b> “A vote against is applied as the director is a long-standing member of the Leadership Development &amp; Compensation Committee which is accountable for human capital management failings.”</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution Approved</p> <p><b>Next steps:</b> LGIM will continue to engage with our investee companies, publicly</p>

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advocate our position on this issue and monitor company and market-level progress.

**Alphabet Inc.**

**Shareholder Resolution -** Report on Physical Risks of Climate Change

**Date of vote:** 1 June 2022

**Size of holding:** 1.18% of portfolio

**Voting:** For

**Manager Rationale:** "A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Failed

**Next steps:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

**NVIDIA Corporation**

**Shareholder Resolution -** Elect Director Harvey C. Jones

**Date of vote:** 2 June 2022

**Size of holding:** 0.77% of portfolio

**Voting:** Against

**Manager Rationale:** "A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we

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believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.”

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Approved

**Next steps:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

**Berkshire Hathaway Inc.**

**Shareholder Resolution -** Elect Director Susan L. Decker

**Date of vote:** 30 April 2022

**Size of holding:** 0.72% of portfolio

**Voting:** Withhold

**Manager Rationale:** “A WITHHOLD vote is warranted for lead independent director Susan Decker as the company does not adequately disclose climate change-related risks and opportunities.”

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Approved

**Next steps:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

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**Exxon Mobil Corporation**

**Shareholder Resolution -** Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal

**Date of vote:** 25 May 2022

**Size of holding:** 0.61% of portfolio

**Voting:** For

**Manager Rationale:** "A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal."

**Was this communicated to company ahead of vote:** No

**Vote Outcome:** Resolution Failed

**Next steps:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

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**Notes:** ISS = Institutional Shareholder Services Inc.  
IVIS = Institutional Voting Information Service  
The information in the table has been provided by the investment managers for the year ending 31 March 2023.