

Lincolnshire Co-operative Pension Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 September 2021

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 30 September 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

Trustees' Investment Objective

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

The Trustees' primary investment objective for the Scheme 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 Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees 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.

Policy on ESG, Stewardship and Climate Change

The Trustees understand 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.

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change. The policies were last reviewed in August 2020. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustee recognises that a proportion of the Scheme's assets are invested on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change.

Scheme's Investment Structure

The Scheme invests in pooled investment vehicles managed by an investment manager – Legal & General Investment Management (LGIM). As such, the Trustees have a direct relationship with the Scheme's underlying investment manager. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Engagement

In the last year, the Trustees have not engaged with the underlying investment manager that they invest in on matters pertaining to ESG, stewardship or climate change. However, the Mercer manager research team periodically monitors the funds that the Scheme invests in, which includes a review of managers ESG engagement policies/activities.

Voting Activity

The Trustees have delegated their voting rights to the investment manager of the Scheme. The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible.

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

Legal & General Investment Management ("LGIM") Passive Equity Funds

LGIM has been a signatory to the UK Stewardship Code every year since the inception of the Code and intends on being a signatory for the 2020 code once applicable. LGIM aims to comply with the EU Shareholder Rights Directive II while engaging in voting activity in accordance with the Investment Association's Responsible Investment Framework. Through the Institutional Investors Group on Climate Change, LGIM wrote to EU heads of state and governments highlighting their support for the proposed EU net zero emissions target and to senior officials in the European Commission pressing for a robust methane policy as part of implementing the Green Deal. Voting data is produced by LGIM using data extracted from the manager's third-party proxy-voting provider, Institutional Shareholder Services' ProxyExchange platform, an electronic voting platform used by LGIM's Investment Stewardship team to vote its clients' shares.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association 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 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.

The table on the following pages sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions	
LGIM Global Equity Fixed Weight (50:50) Index - GBP Hedged	Institutional Shareholder Services (ISS) – recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	33,599 resolutions eligible for (99.93% cast)	17.04% of votes cast	0.16% of eligible votes	<p>Amazon.com, Inc. - LGIM voted ‘against’ the election of Jeffrey P. Bezos, former CEO, as Director.</p> <p>Rational for vote: LGIM 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 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have been voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on our website), and has reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p>Outcome: 95.1% of shareholders supported the resolution to nominate Jeffrey Bezos as Director.</p> <p>Implications of outcome: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
LGIM World (ex UK) Developed Equity Index	Institutional Shareholder Services (ISS) – recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	24,411 eligible for (99.91% cast)	20.31% of votes cast	0.22% of eligible votes	<p>NVIDIA Corporation - LGIM voted ‘against’ the election Harvey C. Jones as Director.</p> <p>Rational for vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, LGIM has been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, LGIM expanded the scope of our vote policy to include all companies in the S&P 500 and the S&P/TSX. Their expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.</p> <p>Outcome: 94.2% of shareholders supported the resolution.</p>

					<p>Implications of Outcome: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
LGIM World Emerging Markets Equity Index	Institutional Shareholder Services (ISS) – As above.	29,967 eligible for (99.78% cast)	14.09% of votes cast	1.80% of eligible votes	<p>Industrial & Commercial Bank of China Limited - LGIM voted 'against' the approval of the Work Report of the Board of Directors.</p> <p>Rational for vote: The company is deemed to not meet minimum standards with regards to climate risk management and disclosure. Note that this company was also divested by LGIM across its Future World range of funds.</p> <p>Outcome: 99.8% of shareholder supported the resolution.</p> <p>Implications of Outcome: LGIM will continue to engage with the company and monitor progress.</p>
LGIM Global Real Estate Equity Index	Institutional Shareholder Services (ISS) – As above.	3,667 eligible for (100% cast)	18.98% of votes cast	0.05% of eligible votes	<p>UOL Group Limited - LGIM voted 'against' the election of Wee Cho Yaw as Director.</p> <p>Rational for vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, LGIM has been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, we expect all companies in which we invest globally to have at least one woman on their board. LGIM has stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.</p> <p>Outcome: 81.0% of shareholders supported the resolution.</p> <p>Implications of Outcome: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>
LGIM FTSE Developed Core Infrastructure Index Fund	Institutional Shareholder Services (ISS) – As above.	1,649 eligible for (100% cast)	19.77% of votes cast	0.12% of eligible votes	<p>American Tower Corporation - LGIM voted 'against' the election of Pamela D.A. Reeve as Director.</p> <p>Rational for vote: The company is deemed to not meet minimum standards with regards to climate risk management and disclosure. Note that this company was also divested by LGIM across its Future World range of funds.</p> <p>Outcome: 94.7% of shareholder supported the resolution.</p> <p>Implications of Outcome: LGIM will continue to engage with the company and monitor progress.</p>