

Lincolnshire Co-operative Pension Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 September 2022

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 2022. 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 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 January 2022. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustees recognise 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 is currently a signatory to the 2020 code. 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.	41,030 resolutions eligible for (99.79% cast)	17.91% of votes cast	0.14% of eligible votes	<p>Accenture plc: - LGIM voted ‘against’ the election of Arun Sarin as Director.</p> <p>Rational for vote:</p> <p><u>-Board mandates:</u> LGIM expects a CEO (or Chair/CEO) or Non-Executive Director not to hold too many external positions to ensure they can undertake their duties effectively.</p> <p><u>-Joint Chair/CEO:</u> A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</p> <p>Outcome: 85.7% of shareholders supported the resolution to nominate Arun Sarin 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.	29,331 eligible for (99.74% cast)	22.62% of votes cast	0.20% of eligible votes	<p>Amazon.com, Inc. - LGIM voted ‘against’ the election Daniel P. Huttenlocher as Director.</p> <p>Rational for vote: The director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.</p> <p>Outcome: 93.3% 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) – recommendations only. All voting decisions are made by LGIM and they do not	35,288 eligible for (99.97% cast)	18.94% of votes cast	2.32% of eligible votes	<p>Pinduoduo Inc. - LGIM voted ‘against’ the election of Lei Chen as Director.</p> <p>Rational for vote:</p>

	outsource any part of the strategic decisions.				<p>- Joint Chair/CEO: LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>- Lead Independent Director: LGIM expects companies to elect an independent lead director where there is a combined Board Chair and CEO.</p> <p>Outcome: 99% 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 Global Real Estate 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.	4,377 eligible for (99.68% cast)	20.10% of votes cast	0.05% of eligible votes	<p>Extra Space Storage Inc. - LGIM voted 'against' the election of Kenneth M. Woolley as Director.</p> <p>Rational for vote:</p> <p>- Climate Impact Pledge: The company is deemed to not meet minimum standards with regard to climate risk management.</p> <p>- Independence: LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Outcome: 96.3% of shareholders supported the resolution.</p> <p>Implications of Outcome: LGIM will continue to engage with the company and monitor progress.</p>
LGIM FTSE Developed Core Infrastructure Index Fund	Institutional Shareholder Services (ISS) – recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	1,857 eligible for (100% cast)	23.59% of votes cast	0.00% of eligible votes	<p>American Tower Corporation - LGIM voted 'against' the election of Robert D. Hormats as Director.</p> <p>Rational for vote: The company has an all-male Executive Committee. LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Outcome: 98.1% of shareholder supported the resolution.</p> <p>Implications of Outcome: LGIM will continue to engage with our investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>