

## IMPLEMENTATION STATEMENT



# Power Jacks Limited Retirement Benefits Scheme Implementation Statement for the year ended 31 December 2021

### Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustee of the Power Jacks Limited Retirement Benefits Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31<sup>st</sup> December 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

### Background

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The Trustee's policies in relation to ESG and voting issues are documented in their Statement of Investment Principles, dated July 2021. The previous Statement was dated September 2020, and so is also relevant for the year under review.

### The Trustee's policy

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The Trustee updated their policy in relation to the exercising of rights in the SIP re-draft dated September 2020. The revised policy is summarised below.

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

### Latest review of the Statement of Investment Principles

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During the reporting year, the Scheme's SIP was reviewed and amended from July 2021. This review was initiated by a change in strategy and included the following:

- > Additional information on the Trustee's policy in relation to:
  - The exercise of rights (including voting rights) attaching to investments; and
  - The undertaking of engagement activities in respect of the investments (e.g. the approach to monitoring investment managers over how they take into account performance, strategy, capital structure, management of actual or potential conflicts of interest and ESG issues in relation to issuers of debt or equity).
- > The Trustee's policy relating to arrangements with asset managers, including how the following matters are set out:
  - Incentives for asset managers to align their investment strategy and decisions with the Trustee's investment policies;
  - Incentives for asset managers to make decisions based on medium to long term financial and non-financial performance assessments of an issuer of debt or equity and to engage with the issuer in order to improve performance over the medium to long term.



- How the method and time horizon of the evaluation of an asset manager's performance and the remuneration for their services are in line with the Trustee's investment policies;
- The monitoring of "portfolio turnover costs" incurred by the asset manager and how the Trustee defines and monitors targeted portfolio or turnover range; and
- The duration of the arrangement with the asset manager.

The previous version of the SIP had been in existence since September 2020, meaning each version of the SIP was relevant during different parts of the reporting year.

## Investment-related activity during the reporting year

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Over the year, the Trustee agreed to restructure the Scheme's assets, disinvesting from all assets held via the Novia Financial Platform, and transitioning to assets managed by Legal & General Investment Management ("LGIM"). With the intention to de-risk scheme assets, the Trustee, in consultation with the sponsoring employer, introduced the LGIM Diversified Fund and "liability driven investment" (LDI) into the asset portfolio, which is designed to reduce the variability of the assets relative to the liabilities of the Scheme. Implementation began in June 2021 when the Scheme fully disinvested from assets held with Novia. The subsequent investment of proceeds with LGIM took place in July. As part of the agreed strategy change, the Scheme implemented a liability hedge portfolio with LGIM to manage the variability of the assets and liabilities of the Scheme.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustee introduced the LGIM Diversified Fund and the LGIM Matching Core Fund range (LDI). These funds were recommended by XPS, using various criteria. One of the criteria, in acknowledgement of the Trustee's updated ESG policy, was that the investment manager had been found to have a credible ESG capability, with decisions linked to that capability applied to the fund to an acceptable degree. Another key criterion in this appointment was that the LGIM Diversified fund offered a more diversified portfolio, delivering a less volatile performance with more liquidity.

## Ongoing governance

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The Trustee monitors the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustee believes that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

## Adherence to the Statement of Investment Principles

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During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree, namely to delegate this activity to the underlying investment managers.





## Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has exposure to equities as part of the strategy for the LGIM Diversified Fund in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by the relevant investment manager organisation is shown below.

**Disclaimer** All voting information is provided for the 12-month period to 31<sup>st</sup> December 2021, as provided by the investment manager. Neither XPS Investment Limited nor the Trustees have vetted these votes. These summaries have been provided by the investment manager and any reference to "our", "we" etc. is from the investment manager's perspective.

### LGIM Diversified Fund

<b>Voting Information</b>
<b>LGIM Diversified Fund</b>
The manager voted on 98.6% of resolutions of which they were eligible out of 78917 eligible votes.
<b>Investment Manager Client Consultation Policy on Voting</b>
<p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</p> <p>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.</p>
<b>Investment Manager Process to determine how to Vote</b>
All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant 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 ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
<b>How does this manager determine what constitutes a 'Significant' Vote?</b>
<p>As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.</p> <p>For many years, LGIM has regularly produced case studies and/or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.</p> <p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions &amp; Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p>





- 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.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:

<https://vds.issgovernance.com/vds/#/MIL?NO=-/>

### Does the manager utilise a Proxy Voting System? If so, please detail

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

For more information on how we use the services of proxy providers, please refer to the following document available on our website: <https://www.lgim.com/landg-assets/lgim-document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf>

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
NextEra Energy, Inc.	Resolution 1h Elect Director James L. Robo	Against	88.1% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

# POWER JACKS LIMITED RETIREMENT BENEFITS SCHEME



Union Pacific Corporation	Resolution 1d Elect Director Lance M. Fritz	Against	90.5% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
American Tower Corporation	Resolution 1i Elect Director Pamela D.A. Reeve	Against	94.7% of shareholder supported the resolution.
LGIM will continue to engage with the company and monitor progress.			
Prologis, Inc.	Resolution 1.a Elect Director Hamid R. Moghadam	Against	93.5% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Alibaba Group Holding Limited	Resolution 1.1 - Elect Director Joseph C. Tsai	Against	73.6%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

Signed Jane Foley, On behalf of the Trustee

Date: 28<sup>th</sup> July 2022