

## Lincolnshire Co-operative Pension Scheme

### Engagement Policy Implementation Statement

Financial Year Ending 30 September 2023  
(forming part of the Trustees' report)

#### 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 2023. 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 May 2023. 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.

### **Significant Votes**

Following the DWP’s consultation response and outcome regarding Implementation Statements 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”) one of the areas of interest was the significant vote definition. 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 size of holdings.
- The Trustee are to include details on why a vote is considered significant and rationale for the voting.

The Trustees have classified most “significant votes” as any vote which concerns Climate Change, Pollution & Natural Resource Degradation, Human Rights and/or Diversity, Equity and Inclusion (DEI). Where applicable, examples of such significant votes are summarised in the table below:

| Manager  | Company                                     | Date       | Why it is significant           | Size of holding (% of Fund) | Summary of resolution  | Vote cast | If against management, was intention communicated?  | Rationale for voting decision  | Outcome | Next steps  |
|--|---|------------|---------------------------------|-----------------------------|--|-----------|---|--|---------|---|
| LGIM World Emerging Markets Equity Index Fund* | Tencent Holdings Ltd.                       | 17/05/2023 | Climate Change                  | 4.24%                       | Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | The company is deemed to not meet the minimum standards regarding climate risk management. | Pass    | LGIM will continue to engage with the company and monitor progress.   |
|  | Ping An Insurance (Group) Co. of China Ltd. | 12/05/2023 | Climate Change                  | 0.73%                       | Resolution 1 - Approve Report of the Board of Directors        | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | The company is deemed to not meet the minimum standards regarding climate risk management. | Pass    | LGIM will continue to engage with the company and monitor progress.   |
|  | Xiaomi Corporation                          | 08/06/2023 | Diversity, Equity and Inclusion | 0.32%                       | Resolution 4 - Elect Wong Shun Tak as Director                 | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | LGIM expects a company to have a diverse board, including at least one woman.              | Pass    | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |

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| LGIM Global Equity Fixed Weights (50:50) Index Fund - GBP Currency Hgd | Shell Plc        | 23/05/2023 | Climate Change                  | 3.51%                       | Resolution 25 - Approve the Shell Energy Transition Progress         | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations. alignment with the 1.5C trajectory. | Pass    | LGIM continues to undertake extensive engagement with Shell on its climate transition plans   |
|  | Experian plc     | 19/07/2023 | Diversity, Equity and Inclusion | 0.58%                       | Resolution 14: Re-elect Mike Rogers as Director                      | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | LGIM voted against the proposal due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.   | Pass    | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |
|  | Amazon.com, Inc. | 24/05/2023 | Diversity, Equity and Inclusion | 0.41%                       | Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps | For       | LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.  | LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives to close it. This was an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives   | Fail    | LGIM will continue to engage with the company and monitor progress.   |

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| LGIM FTSE Developed Core Infrastructure Index Fund | American Tower Corp.  | 24/05/2023 | Diversity, Equity and Inclusion | 4.12%                       | Resolution 1F - Elect Director Robert D. Hormats | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | LGIM voted against the proposal due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female. | Pass    | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |
|  | Crown Castle Inc.     | 17/05/2023 | Climate Change                  | 2.31%                       | Resolution 1a - Elect Director P. Robert Bartolo | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | The company is deemed to not meet the minimum standards regarding climate risk management.   | Pass    | LGIM will continue to engage with the company and monitor progress.   |
|  | Dominion Energy, Inc. | 10/05/2023 | Diversity, Equity and Inclusion | 2.04%                       | Resolution 1H - Elect Director Pamela J. Royal   | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | LGIM expects a company to have at least one-third women on the board.  | Pass    | LGIM will continue to engage with the company and monitor progress.   |

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| <b>LGIM Global Real Estate Equity Index Fund</b>      | <b>Public Storage</b>      | 02/05/2023 | Climate Change                   | 2.97%                       | Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal | For       | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | 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. | Fail    | LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution. |
|   | <b>Realty Income Corp.</b> | 23/05/2023 | Climate Change                   | 2.54%                       | Resolution 1h - Elect Director Michael D. McKee  | Against   | LGIM policy is not to engage with the investee company in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics. LGIM publicly communicates its vote instructions the day after the AGM. | The company is deemed to not meet the minimum standards regarding climate risk management.   | Pass    | LGIM will continue to engage with the company and monitor progress.  |
| <b>LGIM World (ex UK) Developed Equity Index Fund</b> | <b>Amazon.com, Inc.</b>    | 25/04/2023 | Diversity, Equity, and Inclusion | 1.78%                       | Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps                           | For       | LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.  | LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives to close it.   | Fail    | LGIM will continue to engage with the company and monitor progress.  |

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|         | JP Morgan Chase & Co. | 16/05/2023 | Climate Change        | 0.77%                       | Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets | For       | LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting | LGIM generally support resolutions that seek additional disclosures on how the company aims to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved. | Fail    | LGIM will continue to engage with the company and monitor progress. |

\*The Scheme completely disinvested out of this Fund on 11 July 2023.