
Engagement Policy Implementation Statement

The Hartwells Pension Plan (1971) (“the Plan”)

The Trustees of the Hartwells Pension Plan (1971) (the “Plan”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Plan Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#) issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan Year. The last time these policies were formally reviewed was in September 2020.

The Trustees have, in their opinion, followed the Plan’s voting and engagement policies during the Plan Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Plan’s investment adviser incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. After discussion in October 2023, the Trustees agreed stewardship priorities for the Plan which were: Climate Change and Business Ethics.

These priorities were selected as market-wide risks and areas where the Trustees believe that good stewardship and engagement can improve long-term financial outcomes for the Plan’s members, as well as being areas that they thought members might consider most important, and these were also believed to align well with the sponsoring employer’s own stewardship policies.

The Trustees’ investment advisor, LCP, has communicated these priorities to the managers.

The Trustees consider their managers’ ESG and stewardship practices via regular reporting from their investment adviser.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

Description of voting behaviour during the Plan Year

All of the Trustees’ holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Plan Year.

However, the Trustees monitor managers' voting and engagement behaviour and challenge managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Plan's funds that hold equities as follows:

1. LGIM UK Equity Index Fund
2. LGIM All World Equity Index Fund
3. Liontrust UK Equity Index Fund (please note that the Trustees redeemed from this fund over the Plan Year)

In addition, the Plan's infrastructure manager (IFM) provided the following commentary.

IFM Global Infrastructure Fund:

"With regards to the voting and engagement activities between IFM and the underlying portfolio companies, the underlying holdings are private equity investments rather than public market listed equities. Our influence on such investments is made directly by IFM through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.

While the primary focus of the Fund is to provide investors with exposure to a diversified portfolio of unlisted infrastructure assets, there are times where an opportunistic hold of a listed entity is an attractive complement to the unlisted portfolio. The acquisition of listed positions is generally motivated by gaining long-term strategic positions, with significant equity ownership, in attractive core infrastructure assets.

Even for the listed assets, we hold board seats. Consequently, we do not need to vote on our shares to influence the board; as a senior executive in IFM's Infrastructure Team is on the board. This ensures we follow an active ownership style".

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies of their managers.

LGIM

In response to questions from the Trustees' adviser, LGIM provided the following wording to describe its voting practices:

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.

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.

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.

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.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Liontrust:

In response to questions from the Trustees' adviser, Liontrust provided the following wording to describe its voting practices:

We strive to be responsible stewards of our clients' assets within a Framework of good governance and transparency. Liontrust recognises that good stewardship means an active engagement in voting, and Liontrust will always actively vote every shareholding where possible. The policy applies to segregated clients who have delegated responsibility for voting on their holdings to Liontrust.

Our custom proxy voting policies are based on best practice globally. We assess voting matters on a case-by-case basis, taking into account a company's circumstances, although we are guided by our overarching principles on good corporate governance. We recognise that regulatory frameworks vary across markets and corporate governance practices vary internationally so we will normally vote on specific issues in line with the proxy guidelines for the relevant market. Where a proposal is inconsistent with our principles and guidelines, we will consider voting against the proposal.

As part of our stewardship obligations, in regular performance review meetings with our clients, we advise them on how we have discharged our stewardship responsibilities during the period under review. The format of the reporting and the information provided is dependent on each client's requirements. Liontrust will also provide written reports to our clients with details of our voting policy and how we voted as part of an agreed regular reporting pack.

Liontrust operates a global voting policy which guides our voting decisions across funds. We take a proportional approach to governance expectations and therefore we have put in place guidelines split by geographic region and market cap size. We recognise that a major global oil company should be held to a different standard to a small emerging market company although all companies are encouraged to follow the highest standards.

Liontrust use a third party (ISS) to monitor and review shareholder meetings and resolutions against our custom voting guidelines. This allows us to focus our time and resources on those issues and resolutions that conflict with our guidelines which are based on the PLSA voting principles and the UK Corporate Governance Code, or that go against the spirit of the code. When any such discrepancy is discovered, depending on its nature and the size of the shareholding in the company, Liontrust would engage with the management of the company to understand the proposals and may support the company if there is a convincing justification and is in the interests of shareholders.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Plan Year is provided in the table below.

LGIM only produces voting data quarterly so the data in the table below for LGIM is for the year to 30 September 2023, except for the value of Plan assets at the end of the Plan Year, which is as at 31 August 2023.

The Plan disinvested from the Liontrust UK Equity Fund in the first quarter of 2023. However, voting data is shown for the full Plan Year for completeness.

	LGIM UK Equity Index Fund	LGIM All World Equity Index Fund	Liontrust UK Equity Fund
Total size of fund at end of the Plan Year	£11,872m	£3,584m	£366m
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£0.1m/0.1%	£42.6m/32.9%	-
Number of equity holdings at end of the Plan Year	534	4,634	76
Number of meetings eligible to vote	660	6,324	150
Number of resolutions eligible to vote	10,239	64,047	2,487
% of resolutions voted	100.0%	99.9%	99.0%
Of the resolutions on which voted, % voted with management	94.3%	79.8%	97.3%
Of the resolutions on which voted, % voted against management	5.7%	19.5%	2.0%
Of the resolutions on which voted, % abstained from voting	0.0%	0.6%	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	41.5%	62.8%	30.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4.5%	11.1%	0.3%

Totals may not sum due to rounding.

3.3 Most significant votes

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

The Trustees did not inform their managers which votes they considered to be most significant in advance of those votes. The Trustees will consider the practicalities of informing managers ahead of future votes and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist. By informing their managers of the Trustees' stewardship priorities and through their regular interactions with the managers, the Trustees believe that their managers will understand how they expect managers to vote on issues for the companies they invest in on the Trustees' behalf.

The Trustees have interpreted "most significant votes" to mean those that:

4. align with the Trustees' stewardship priorities;
5. might have a material impact on future company performance;
6. the investment manager believes to represent a significant escalation in engagement;
7. impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
8. have a high media profile or are seen as being controversial; and
9. the Plan or the sponsoring company may have a particular interest in.

If members wish to obtain more investment manager voting information, this is available upon request.

3.3.1 LGIM

LGIM UK Equity Index Fund

Shell Plc, 23 May 2023

- **Summary of resolution:** Approve the Shell Energy Transition Progress
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote** : 6.96%
- **Why this vote is considered to be most significant:** LGIM has assessed this vote as most significant because LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. The vote is also relevant to the Trustees' climate change stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** A vote against is applied, though not without reservations. LGIM acknowledges 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, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps:** Pass. LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

Experian Plc, 19 July 2023

- **Summary of resolution:** Re-elect Mike Rogers as Director
- **Relevant stewardship priority:** Business Ethics
- **Approx size of the holding at the date of the vote:** 1.18%
- **Why this vote is considered to be most significant:** LGIM considers this as a most significant vote because LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. The vote is also relevant to the Trustees' business ethics stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.
- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps:** Pass. LGIM continues to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

LGIM All World Equity Index Fund

Meta Platform, Inc. 31 May 2023

- **Summary of resolution:** Elect Director Mark Zuckerberg
- **Relevant stewardship priority:** Business Ethics
- **Approx size of the holding at the date of the vote:** 0.96%
- **Why this vote is considered to be most significant:** LGIM considers this vote to be most significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO. The vote is also relevant to the Trustees' business ethics stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. It expects companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure. Note: In the US, many companies operate with plurality voting, meaning that a director can be re-elected with just one vote in favour. As it is not possible to vote "against", the only way to signal dissent is to "withhold" the vote (i.e withhold support of the director election). This should be interpreted as a vote "against" (and not as an abstention).

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- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
 - **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

JPMorgan Chase & Co., 16 May 2023

- **Summary of resolution:** Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 0.66%
- **Why this vote is considered to be most significant:** LGIM considers this a most significant vote as it pre-declared its intention to support. It continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. The vote is also relevant to the Trustees' climate change stewardship priority.
- **Company management recommendation:** Against
- **Fund manager vote:** For
- **Rationale:** LGIM generally supports resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
- **Was the vote communicated to the company ahead of the vote:** Yes. 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.
- **Outcome of the vote and next steps:** Fail. LGIM will continue to engage with the company and monitor progress.

3.3.2 Liontrust

Shell Plc, 23 May 2023

- **Summary of resolution:** Request Shell to align its existing 2030 Reduction Target covering the greenhouse gas (GHG) Emissions of the use of its energy products (scope 3) with the goal of the Paris Climate Agreement.
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 5.68%

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- **Why this vote is considered to be most significant:** Liontrust considers this as a most significant vote because it's an escalation of a climate related issue. The vote is also relevant to the Trustees' climate change stewardship priority.
 - **Company management recommendation:** Against
 - **Fund manager vote:** Against
 - **Rationale:** Liontrust voted against this shareholder-filed proposal, and therefore in support of management. The argument that intensity metrics are not a substitute for absolute metrics is entirely valid and is raised as a concern in the analysis of Shell's progress report above. In this regard, the IIGCC states that "measuring absolute emissions provides a necessary baseline for Paris Alignment". However, the proposal would represent a change in strategy from the one that Shell has adopted. It is also noted that a new transition strategy plan will be presented at the next AGM in 2024, under the stewardship of a new CEO and executive team.
 - **Was the vote communicated to the company ahead of the vote:** No.
 - **Outcome of the vote and next steps:** This proposal was not approved.

St. James's Place Plc, 18 May 2023

- **Summary of resolution:** Approve remuneration report.
- **Relevant stewardship priority:** Business Ethics
- **Approx size of the holding at the date of the vote:** 2.20%
- **Why this vote is considered to be most significant:** Liontrust considers this as a most significant vote because it believes in strong business ethics within an institute. The vote is also relevant to the Trustees' business ethics stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** Material concerns have been identified in respect of the vesting of the 2020 LTIP award, which is judged to have significantly benefitted from windfall gains. The share price used to determine the grant value was briefly impacted by the material uncertainty brought about the COVID-19 pandemic, leading to an increased number of shares being granted to cover the award. However, no amendment to the award at grant or vesting has been made and the Company's explanation is not considered to be sufficiently compelling.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** This resolution was approved by shareholders but had 22.15% of votes cast against.