

Implementation Statement

Lil-lets UK Pension Fund

Purpose of this statement

This implementation statement has been produced by the Trustee of the Lil-lets UK Pension Fund (“the Fund”) to set out the following information over the year to 5 April 2023:

- how the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Fund’s investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

The voting behaviour is not given over the Fund year end to 5 April 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force at 6 January 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It has been made available online here: [Statement of Investment Principles \(lil-lets.com\)](https://www.lil-lets.com/statement-of-investment-principles)

At this time, the Trustee has not set stewardship priorities / themes for the Fund but will be considering the extent that they wish to do this in due course, in line with other Fund risks.

How voting and engagement/stewardship policies have been followed

The Trustee considers their voting and engagement policies to have been met in the following ways:

- At the fund year-end, the Fund’s investment manager was Legal and General Investment Management (LGIM). The Trustee regularly considers the performance of the funds and any significant developments.
- The Fund invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Fund’s asset managers.
- A formal review of LGIM’s ESG and engagement policies was conducted at the Trustee’s 15 May 2019 meeting. The Trustee were satisfied that LGIM’s policies were in line with their own.
- The Trustee has reviewed LGIM’s voting and engagement policies as part of preparing this implementation statement.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund investment managers are in alignment with the Fund’s ESG and Stewardship policies.

Voting Data

This section provides a summary of the voting activity undertaken by LGIM on behalf of the Trustees over the year to 31 March 2023. The Index-Linked Gilts funds with LGIM have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Legal & General Investment Management		
Fund name	UK Equity Index	World (ex UK) Equity Index	Global Real Estate Equity Index
Structure	Pooled		
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
Number of company meetings the manager was eligible to vote at over the year	733	3,008	404
Number of resolutions the manager was eligible to vote on over the year	10,870	36,202	4,349
Percentage of resolutions the manager voted on	99.94%	99.83%	99.52%
Percentage of resolutions the manager abstained from	0.00%	0.75%	0.05%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	94.46%	77.58%	79.90%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	5.54%	21.67%	20.06%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	4.23%	15.13%	15.16%

Source: Legal and General Investment Management.

Some voting percentages quoted above may not sum to 100.00%. The managers have assured us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a Fund’s stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities / themes for the Fund, but will be considering the extent that they wish to do this in due course, in line with other Fund risks. So, for this Implementation Statement, the Trustee has asked LGIM to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

LGIM have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes for each LGIM fund that holds voting rights, that cover a range of themes to represent what they consider the most significant votes cast on behalf of the Fund. To represent the most significant votes, the votes some of the largest holdings relating to each topic are shown below, as well as reasons why LGIM consider these votes to be significant.

LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Date of vote	24 May 2022	12 May 2022	8 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.70%	3.03%	2.67%
Summary of the resolution(s)	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 3 - Approve Net Zero - From Ambition to Action Report	Resolution 17 - Approve Climate Action Plan
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.		
Rationale for the voting decision	Climate change: While LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, LGIM remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	Climate change: LGIM view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream	Climate change: While LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remain concerned with the absence of quantifiable targets for such a material component of the company’s overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

	Vote 1	Vote 2	Vote 3
		ambition and approach to exploration.	
Outcome of the vote	79.9% of shareholders supported the resolution	88.5% of shareholders supported the resolution	84.3% of shareholders supported the resolution
Implications of the outcome	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.		

LGIM World (ex. UK) Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Date of vote	25 May 2022	1 June 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.91%	1.24%	0.82%
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 7 - Report on Physical Risks of Climate Change	Resolution 5 - Require Independent Board Chair
How the manager voted	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.		
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
Outcome of the vote	93.3% of shareholders supported the resolution	17.7% of shareholders supported the resolution	16.7% of shareholders supported the resolution
Implications of the outcome	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their	LGIM considers this vote to be significant as it is an application of an escalation of their vote policy on the topic of the combination of the

public call for high quality and credible transition plans to be subject to a shareholder vote.

board chair and CEO (escalation of engagement by vote).

LGIM Global Real Estate Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc.	Realty Income Corporation	Simon Property Group, Inc.
Date of vote	5 April 2022	17 May 2022	11 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.19%	2.06%	2.02%
Summary of the resolution	Resolution 1a - Elect Director Hamid R. Moghadam	Resolution 1d - Elect Director Reginald H. Gilyard	Resolution 1c - Elect Director Karen N. Horn
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.		
Rationale for the voting decision	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>Independence: A vote against is applied as 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>Diversity: A vote against is applied as the company has an all-male Executive Committee.</p> <p>Board mandates: A vote against is applied as 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>Diversity: A vote against is applied as the company has an all-male Executive Committee.</p> <p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>Average board tenure: A vote against is applied as 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>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>

Outcome of the vote	92.9% of shareholders supported the resolution.	89.5% of shareholders supported the resolution.	82.1% of shareholder supported the resolution.
Implications of the outcome	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf. LGIM also considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

There are no voting rights attached to the other assets held by the Fund and therefore no key voting information is shown above for these assets.

Fund level engagement

The investment managers may engage with its investee companies on behalf of the Trustee. The table below provides a summary of the engagement activity undertaken by LGIM during the year for the relevant funds. The information is given over the year to 31 March 2023.

Manager	Legal & General Investment Management		
Fund name	UK Equity Index	World (ex UK) Equity Index	Global Real Estate Equity Index
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	332	478	116
Number of engagements undertaken at a firm level in the year		1,088	
Number of companies the manager engaged with at a firm level during the year		950	

Source: Legal and General Investment Management

The Trustee believes there is less scope for engagement in relation to the government bond and cash funds, and therefore there is no information shown above for these assets.

Examples of engagement activity undertaken over the year

Global Research & Engagement Groups focus: Water pollution in the UK

UK water companies have attracted plenty of press attention and criticism in recent months as there has been an increased concerns on their environmental performance, which the UK Environment Agency described as “the worst we have seen for years”.

In the first quarter of 2023, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water’s majority shareholder, to share its views on the topic. This builds on LGIM’s engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. LGIM also signed up to the Ceres investor-led ‘Valuing Water Finance Initiative’, aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. As one of the largest lenders in the sterling corporate bond market, LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at ages with other sector stakeholders such as regulators and industry bodies as part of their broader aim not just to improve ESG factors at individual companies, but across the global markets in which their clients are invested.

Summary

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Fund’s stewardship policies. The Trustee is supportive of the key voting action taken by the applicable fund managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustee and their investment consultant are working with the investment managers to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the investment managers’ actions.

Prepared by the Trustee of the Lil-lets UK Pension Fund

July 2023