

Implementation Statement

Lil-lets UK Pension Fund (DB and DC Sections)

Scheme year ended 5 April 2022

This statement sets out the Trustee's approach and implementation of the Environmental, Social and Governance ("ESG") policies set out in the Statement of Investment Principles over the year.

How voting and engagement 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 managers were Legal and General Investment Management (LGIM) and Aberdeen Standard Investments. 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 conducting at the Trustee's 15 May 2019 meeting. The Trustee were satisfied that LGIM's policies were in line with their own.
- The Trustees have 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

The voting data collated for the Fund is given over the year to 31 March 2022.

Manager	Legal & General Investment Management			Aberdeen Standard Investments (DC Section only)
Fund name	UK Equity Index	World (ex UK) Equity Index	Global Real Estate Equity Index	Diversified Growth: Standard Life GARS
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	772	2,931	426	114
Number of resolutions the manager was eligible to vote on over the year	10,813	34,024	4,335	1420
Percentage of resolutions the manager voted on	99.98%	99.79%	99.86%	99.93%
Percentage of resolutions the manager abstained from	0.00%	0.92%	0.05%	0.21%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	93.07%	79.98%	82.37%	84.07%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	6.93%	20.10%	17.58%	15.72%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	5.35%	14.08%	12.08%	12.47%

Source: Legal and General Investment Management and Aberdeen Standard Investments

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.

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

Significant votes

We have delegated to the investment manager(s) to define what a “significant vote” is. A summary of the key voting action they have provided is set out below including why the investment managers consider these votes to be significant.

LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Informa Plc	The Sage Group Plc	JD Sports Fashion Plc
Date of vote	3 June 2021	3 February 2022	1 July 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.34%	0.30%	0.18%
Summary of the resolution(s)	<p>Resolution 3 - Re-elect Stephen Davidson as Director</p> <p>Resolution 5 - Re-elect Mary McDowell as Director</p> <p>Resolution 7 - Re-elect Helen Owers as Director</p> <p>Resolution 11 - Approve Remuneration Report</p>	Resolution 11 - Re-elect Drummond Hall as Director	Resolution 4 - Re-elect Peter Cowgill as Director
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>LGIM has noted their concerns with the company's remuneration practices for many years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate their vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.</p>	<p>A vote against is applied because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board.</p>	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>
Outcome of the vote	Resolution 3 - 53.4% of shareholders supported the resolution.	94.4% of shareholders supported	84.8% of shareholders supported

	Vote 1	Vote 2	Vote 3
	Resolution 5 - 80% of shareholders supported the resolution.		
	Resolution 7 - 78.1% of shareholders supported the resolution.		
	Resolution 11 - 38.3% of shareholders supported the resolution.		
Implications of the outcome	LGIM will continue to seek to engage with the company and monitor progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	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 consider this vote to be significant as they took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring vote intention is an important tool for engagement activities.	LGIM views gender diversity as a financially material issue for clients.	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 World (ex. UK) Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of vote	4 March 2022	30 November 2021	26 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.31%	4.00%	2.55%
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a - Elect Director Jeffrey P. Bezos
How the manager voted	For	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	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.

			Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.
Outcome of the vote	53.6% of shareholders supported the resolution.	94.7% of shareholders supported	95.1% 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.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	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 views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	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 Global Real Estate Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc.	Simon Property Group, Inc.	Equity Residential
Date of vote	29 April 2021	12 May 2021	17 June 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.74%	2.27%	1.61%
Summary of the resolution	Resolution 1.a Elect Director Hamid R. Moghadam	Resolution 1c Elect Director Karen N. Horn	Resolution 1.12 Elect Director Samuel Zell
How the manager voted	Against	Against	Withhold
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	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of		The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

	independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.		
Outcome of the vote	93.5% of shareholders supported the resolution.	84.8% of shareholders supported the resolution.	83.0% 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 considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

Aberdeen Standard Investments, Global Absolute Return Strategies Pension Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Johnson Matthey Plc	Capital One Financial Corporation
Date of vote	30 November 2021	29 July 2021	6 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.10%	5.22%	1.46%
Summary of the resolution	Prohibit Sales of Facial Recognition Technology to All Government Entities	Re-elect Patrick Thomas as Director	Elect Director Ann Fritz Hackett
How the manager voted	Against	For	For
Rationale for the voting decision	While ASI fully recognize the risks involved with use of facial recognition technology, they note that Microsoft is taking numerous positive steps to address the civil rights concerns associated with the sale of facial recognition technology and the company provides transparency over its associated actions. Furthermore, ASI believe such a vote would be overly prescriptive and so is not warranted at this time.	The board is currently only 25% women. ASI engaged with the company prior to voting and received some good assurance that action was being taken to address the shortfall in the near term.	Although the tenure of this director is beyond ASI's normal limit, a vote against Ann would negatively impact the gender diversity of the board.
Outcome of the vote	The resolution was rejected by shareholders	The resolution was approved by shareholders	The resolution was approved by shareholders

Criteria on which the vote is considered "significant"

The vote is considered significant as it is a shareholder proposal on a social issue, where ASI have engaged with the company on the resolution

The vote is considered significant as it focusses on a resolution where post-engagement ASI voted contrary to their custom policy

The vote is considered significant as it focusses on a large active holding where ASI have voted contrary to custom policy following analysis

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 their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activity undertaken by each manager during the year for the relevant funds. The information is given over the year to 31 March 2022.

Manager	Legal & General Investment Management			Aberdeen Standard Investments (DC Section only)
Fund name	UK Equity Index	World (ex UK) Equity Index	Global Real Estate Equity Index	Diversified Growth: Standard Life GARS
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	244	386	81	Data not available
Number of engagements undertaken at a firm level in the year		696		2585*
Number of companies the manager engaged with at a firm level during the year		593		Not Provided
Examples of engagements undertaken with holdings in the fund	<p>The top engagement topics over the year to 31 March 2022 were:</p> <ul style="list-style-type: none"> • Remuneration • Board compensation • Climate change • Gender Diversity • Ethnic Diversity 	<p>The top engagement topics over the year to 31 March 2022 were:</p> <ul style="list-style-type: none"> • Climate change • Remuneration • Board composition • Climate Impact Pledge • Public Health 	<p>The top engagement topics over the year to 31 March 2022 were:</p> <ul style="list-style-type: none"> • Climate change • Remuneration • Climate Impact Pledge • Shareholder Rights • Board Composition 	<p>No fund level examples were given.</p> <p>At a firm level the key engagement topics included were: disclosure concerns, climate change, corporate governance, labour practices, remuneration, and social issues.</p>

*ASI were not able to provide data for the year to 31 March 2022 and so figures are shown to 31 December 2021.
Source: Legal and General Investment Management and Aberdeen Standard Investments

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.

How the SIP has been followed over the year

In relation to the DC Section of the Fund, in the Trustee's opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Fund offers a suitable default strategy for members. This was last reviewed in May 2017 and appropriate decisions made based on the membership profile of the Fund.
- The Fund offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was last reviewed in May 2017.
- The Trustee initially considered the ESG capabilities of each of the Fund's managers at a Trustee meeting in May 2019 and agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- The Trustee regularly reviews the ESG capabilities of the managers as part of the monitoring process.
- The Trustee has made no new manager appointments over the year that affect voting or engagement.

The Statement of Investment Principles was updated during the period under review to allow for an update to the Fund's ESG policies and to incorporate consultant objectives. Neither of these updates affected the way the SIP has been followed over the year as stated above.

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 2022