

# Implementation Statement

## LGC Staff Pension Scheme

This Implementation Statement has been prepared by the Trustee of the LGC Staff Pension Scheme (“the Scheme”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 30 June 2021.

### How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers. The Trustee has taken into consideration the Financial Reporting Council’s UK Stewardship Code. However, the Trustee cannot usually directly influence the managers’ policies on the exercise of investment rights where the Trustee holds assets in pooled funds. This is due to the nature of these investments. The Trustee receives reporting on the voting and engagement policies of the fund managers and considers these as part of manager appointment and review processes.

The Trustee believes that ESG factors are financially material – that is, they have the potential to impact the value of the investments from time to time.

The Trustee considers it to be part of their investment managers’ roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

The Trustee meets with their managers from time to time to discuss fund performance and outlook as well as how ESG is being integrated into the funds the Scheme invests in. During the year, the Trustee met with all five of their investment managers: Columbia Threadneedle and Ruffer in December 2020, and LGIM, Janus Henderson and Barings in March 2021.

The Trustee was satisfied that the managers’ policies were reasonable and no further remedial action was required during the period. Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

### Data limitations

Information relating to voting and engagement was requested from the Scheme’s investment managers. Where information is not included in this statement, it was requested but not provided in a useable format this year. The Trustee’s investment consultant is working with the managers to improve the depth and quality of the information provided going forwards.

### Prepared by the Trustee of the LGC Staff Pension Scheme

## Voting Data

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds and as such the investment managers for these funds vote on behalf of the Trustee.

The Scheme's equity investments are managed by Legal and General Investment Management ("LGIM") and Ruffer. The table below provides a summary of the voting activity undertaken by each manager during the year.

Manager	LGIM	Ruffer
<b>Fund name</b>	Global Equity Market Weights (30:70) Index Fund – GBP Hedged	Absolute Return Fund
<b>Structure</b>	Pooled	
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
<b>Number of company meetings the manager was eligible to vote at over the year</b>	6,839	93
<b>Number of resolutions the manager was eligible to vote on over the year</b>	72,992	1,259
<b>% of resolutions the manager voted on</b>	99.9%	100.0%
<b>Resolutions <i>abstained from</i>, as a % of total resolutions voted on</b>	1.0%	2.2%
<b>Resolutions voted <i>with</i> management, as a % of total resolutions voted on</b>	83.7%	90.9%
<b>Resolutions voted <i>against</i> management, as a % of total resolutions voted on</b>	15.3%	6.9%
<b>% of resolutions voted contrary to the recommendation of the proxy advisor</b>	8.6%	6.8%
<b>Proxy advisor used</b>	Institutional Shareholder Services (ISS)	

## Significant votes

The Trustee has delegated to the investment manager(s) to define what a “significant vote” is. A summary of the data they have provided is set out below. We have chosen three examples in each case to demonstrate the range of issues on which the manager voted.

### LGIM – Global Equity Market Weights (30:70) Index Fund (GBP Hedged)

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	International Consolidated Airlines Group	Olympus Corporation	Cincinnati Financial Corporation
<b>Date of vote</b>	07/09/2020	30/07/2020	08/05/2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.04%	0.03%	0.02%
<b>Summary of the resolution</b>	Approve Remuneration Report	Elect Director Yasuo Takeuchi	Elect Director Steven J. Johnston
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
<b>Rationale for the voting decision</b>	Given the COVID-19 crisis and its negative impact on the company's financial performance, LGIM were encouraging the board to demonstrate restraint and discretion with its executive remuneration.	Japanese companies have largely trailed behind Western counterparts in ensuring more women are appointed to their boards. LGIM opposed the election of this director (a member of the nomination committee) to signal that the company needed to take action on this issue.	The company did not meet LGIM's minimum standards with regards to climate risk management and disclosure.
<b>Outcome of the vote</b>	Resolution passed (72% voted for)	Resolution passed (95% voted for)	Resolution passed (96% voted for)
<b>Implications of the outcome</b>	LGIM will continue to engage closely with the renewed board.	LGIM will continue to engage with and require increased diversity on all Japanese company boards.	LGIM will continue to engage with the company and monitor progress.
<b>Criteria on which the vote is considered “significant”</b>	This vote illustrates the importance for investors of monitoring invested companies' responses to the COVID crisis.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	This vote was applied under the Climate Impact Pledge.

## Ruffer – Absolute Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	American Express	WH Smith	Aena S.M.E
<b>Date of vote</b>	04/05/2021	20/01/2021	29/10/2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.58%	0.27%	0.70%
<b>Summary of the resolution</b>	Re-election of non-executive directors	Approve remuneration report	Resolutions relating to a climate transition plan
<b>How the manager voted</b>	Against	Against	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	Yes	No
<b>Rationale for the voting decision</b>	Ruffer opposed the re-election of several non-executive directors due to their tenure on the board. The manager no longer considered these directors to be independent and believe board refreshment is essential to a well-functioning group.	Ruffer felt the timing of an executive pay increase was inappropriate, given that the company was loss-making and had suspended dividends.	Ruffer supported resolutions requesting that the company submits its climate transition plan to a shareholder advisory vote at its 2021 AGM and provides updates on an annual basis from 2022. Ruffer believe that climate change-related risks may be significant for the long-term performance of Aena.
<b>Outcome of the vote</b>	All directors were re-elected	Resolution passed (67% voted for)	Resolutions passed (95%+ voted for)
<b>Implications of the outcome</b>	Ruffer will continue to vote against the re-election of non-executive directors where they have concerns about their independence.	The Board announced after the vote that they would be revising the remuneration report, in light of feedback from shareholders. Ruffer will continue to oppose remuneration policies they deem are inappropriate.	Ruffer will continue to support giving shareholders a say on climate votes, particularly in cases where they believe there are long term performance implications.
<b>Criteria on which the vote is considered "significant"</b>	Ruffer voted against the election of directors.	The vote was against management, as a result of extensive engagement and internal discussions.	The votes aimed to increase transparency of climate transition planning and outcomes.

## Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. Whilst the Scheme's credit and property holdings do not attach any voting rights, the Trustee focuses on how the investment process and profile of the managers is aligned with the Scheme's ESG policies.

The table below provides a summary of the engagement activity undertaken by LGIM, Ruffer, Columbia Threadneedle (now disinvested), Barings and Janus Henderson during the year. LGIM were unable to provide engagement data at an individual fund level, however, the firm level data provided below is relevant to all the LGIM funds invested by the Scheme. Columbia Threadneedle were unable to provide engagement data in the same format as other managers.

The Scheme is also invested in the SWIP Cash Fund, but this has been omitted from the table below as there is no scope within this fund for engagement.

Manager	LGIM	Ruffer	Columbia Threadneedle	Barings	Janus Henderson
<b>Fund(s) covered</b>	Global Equity Market Weights (30:70) Index Fund – GBP Hedged Matching Core funds Index-Linked Gilt funds Sterling Liquidity Fund	Absolute Return Fund	Property Fund	Global High Yield Credit Strategies	Multi-Asset Credit Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	This information was not provided.	28	This information was not provided.	This information was not provided.	This information was not provided.
<b>Number of engagements undertaken at a firm level in the year</b>	1,003	41	This information was not provided.	415 (entities)	1,190

Manager	LGIM	Ruffer	Columbia Threadneedle	Barings	Janus Henderson
<p><b>Examples of engagements undertaken with holdings in the fund</b></p>	<p>Key engagement topics at a firm level included: ESG, remuneration, climate change, board composition, diversity, public health, and strategy engagements.</p>	<p><b>Countryside Properties:</b> Ruffer engaged on capital allocation strategy.</p> <p><b>ArcelorMittal:</b> Ruffer attended a Climate Action 100+ meeting and discussed the company's commitment to be net-zero by 2050.</p>	<p>This information was not provided.</p>	<p><b>Jewellery retailer:</b> Barings engaged to demand repayment of a poorly timed dividend.</p> <p><b>Software company:</b> Barings was concerned about the impact of employee restructuring on morale.</p>	<p>Janus Henderson engaged with various issuers in the food &amp; beverage industry on <b>deforestation risk and sustainable food production</b>. The manager also engaged with various lenders to understand policies on <b>mortgage forbearance and payment holidays</b> in the wake of COVID-19.</p>